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Economic Intelligence Weekly Review

17 August 1978

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ECONOMIC INTELLIGENCE WEEKLY REVIEW

17 August 1978



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AGRICULTURAL COMMODITY PRICES: GENERALLY WEAKER TONE

World market prices for most major agricultural commodities are expected to exhibit a generally weaker tone for the remainder of 1978 because of the present favorable production outlook and ample world supplies.* A buildup in reserves of a number of commodities now seems likely unless new international policy actions are introduced that would stimulate demand and/or restrict supply.

World prices for major grains—wheat, corn, and rice—will likely maintain a steady to lower level over the next six months. Strong demand for soybeans and soybean products could firm prices at yearend despite expectations of a bumper US harvest. Cotton prices may also show a slight increase based on an uncertain production outlook worldwide. World price movements of most major agricultural commodities exported by the United States also will be influenced by the outcome of pending US farm policy decisions and by the extent of producer participation in several government programs aimed at reducing commercial supplies in the coming months.

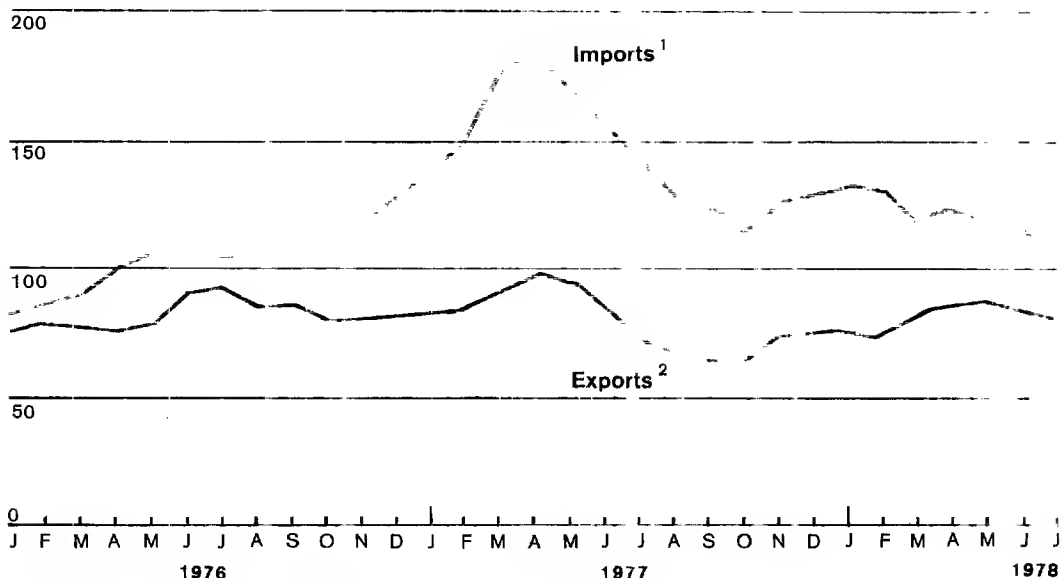
Paralleling the bearish outlook for future world prices of most US exports is the expectation of a continued decline in prices for major tropical products like coffee, cocoa, and tea. World sugar prices most likely will remain at low levels for the remainder of the year. Beef prices, on the other hand, are expected to continue strong in the face of tightening world supplies.

* For agricultural commodity price charts, see the current Economic Indicators Weekly Review.

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US Agricultural Commodity Prices

Index: 1974=100



¹ Weighted average of commodity prices (beef, sugar, coffee, cocoa, and tea) based on import volume into the United States for 1972-75.

² Weighted average of commodity prices (wheat, corn, rice, cotton, and soybeans) based on export volume from the United States for 1972-75.

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World Outlook for United States Export Commodities

Generally favorable growing conditions have existed in the Northern Hemisphere for most crops except cotton. The outlook for Southern Hemisphere crops is also better after a drought plagued harvest in 1977/78. World grain production in 1978/79 could well exceed the previous record level in 1976/77.

World *wheat* production is presently forecast at about 406 million tons—up 6 percent from last year and the second best harvest on record. Large carryover stocks and the expected bumper harvest should provide more than ample wheat to meet an estimated 3 percent rise in wheat use. We expect world trade in wheat will decline about 6 million tons based on improved production in the USSR and Western Europe and reduced import demand by China. These factors should serve to keep wheat prices under pressure for the remainder of the year although extensive farmer participation in US Government loan, set-aside, and reserve programs would serve as a price strengthening factor.

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Current prospects for *coarse grain* production, while less certain than those for wheat, indicate the potential for a record harvest of about 710 million tons. Coarse grain use in 1978/79 again will fall short of production, providing for some additional buildup in world stocks. Large stocks and favorable prospects for the US harvest should keep prices near or below recent trading ranges during the remainder of 1978. Soviet buying intentions and weather conditions will weigh more heavily on price movements in coarse grains than in wheat. Several weeks remain until the important corn harvest in the Northern Hemisphere; Southern Hemisphere coarse grains will not be planted until late 1978.

Rice production for 1978/79 is expected to show a slight increase from last season to a record 370 million tons. Favorable growing conditions in the Northern Hemisphere and good early season monsoon performance in Asia are major reasons for a forecast of record production. World rice stocks are estimated at an all time high of about 19 million tons with the majority of these stocks being held by traditional importers. World trade in rice is expected to be little changed from 1977/78 even though consumption is forecast to increase by about two percent. Rice prices are expected to sag in the coming weeks under the weight of a bumper harvest, a record carryover, and ample supplies of wheat.

Growing conditions for the 1978/79 *cotton* crop have been below normal. Early season planting difficulties have occurred in the USSR and Sudan while inclement weather in Texas has threatened a major portion of the US crop. World production could fall considerably below last year's 13.9 million ton harvest, the second largest on record. Carryover stocks of cotton are not large enough to prevent prices from moving upward in the face of reduced production. An additional factor strengthening prices would be confirmation of trade reports that China may import up to 500,000 bales of US cotton in 1978/79. Even if production prospects deteriorate further, however, sluggish consumption of textiles and excess capacity in synthetic fibers should prevent a major runup in cotton prices.

World production of soybeans for the 1978/79 season could reach a record level based on a nine-percent increase in US plantings and an expected recovery in Brazil from last season's drought-reduced harvest. Trade reports of considerable forward purchases of soybeans and the weight of a bumper US harvest should cause soybean prices to weaken in the third quarter. A further decrease beyond the US harvest is not expected as increased livestock feeding worldwide will keep demand for soybean meal at a high level. We expect some strengthening of prices by yearend due to the low level of world carryover stocks, Brazil's absence from the market, and the expected strong demand.

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World Outlook for US Import Commodities

Increased world production and sluggish demand have caused prices of coffee, tea, and cocoa to drop sharply in recent months. The current production outlook indicates a continuation of ample supplies for these commodities as well as sugar.

World *coffee* production in the 1978/79 season is estimated at 74 million bags, the highest level in four years. Consumption is expected to begin a slow recovery from recent depressed levels caused by record high prices in 1977. While we expect prices to remain under downward pressure in the months ahead, low levels of world coffee stocks will prevent a continuation of the sharp price decline of recent weeks.

The production outlook for *cocoa* in 1978/79 is still uncertain although conditions for the early harvest have been generally favorable. Cocoa consumption is expected to weaken slightly as manufacturers continue introducing substitutes, raising prices, or reducing sizes of confectionary production. Prices will continue trading in the range of recent weeks at \$1.35-\$1.50 per pound until prospects for the coming harvest are known. An outlook for even an average harvest will put prices under downward pressure.

Favorable producer response to the high prices of the past two years has pushed *tea* production to an all-time high. We expect tea production in 1978/79 will remain at a relatively high level with little change in consumption. Tea prices will continue under downward pressure, tracking closely with coffee prices.

Tremendous world *sugar* stocks will prevent any appreciable rise in depressed sugar prices in the second half of 1978. We expect a slightly lower production at about 90 million tons to be more closely in balance with consumption in 1978/79 after five consecutive years of large surpluses. A major psychological boost to sugar prices would be the United States' ratification of the International Sugar Agreement before yearend.

The world *beef* market faces a period of tightening supplies as strong import demand has outstripped growth in export availability. The near synchronous arrival of Australia, New Zealand, and the United States at the bottom of the herd liquidation phase of the cattle cycle is largely responsible for this situation. Higher cattle marketings into the fall and some consumer prices resistance could ease price pressures temporarily. Nonetheless, the need to rebuild herds will likely exert greater price pressure beginning in late 1978.

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Impact on the United States

The favorable worldwide production outlook and generally weaker prices for grains in the remaining months of 1978 indicate that the dollar value of US grain exports in the second half may not match the record performance of the first six months. Soybean exports will benefit from price strengthening in the fourth quarter and should maintain a fairly high volume. Cotton export values should at least match the pace of early 1978 due to an expected increase in prices even though volume will be down slightly.

The import bill for coffee and tea will be reduced by a sizable amount for the remainder of 1978. Lower coffee prices will more than offset an increase in import volume to meet a seasonal rise in consumption. Cocoa import values are also expected to decline, especially if the production outlook proves favorable and prices drop further. Sugar import values are expected to be lower than the 1977 levels because of lower volume. While we expect the value of beef imports in second half 1978 to be lower than in the first half (due to lower import volume), total import value for the year will be up sharply from 1977; import values in 1979 are also expected to be up considerably over 1978 as prices stiffen. (Confidential)

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USSR: REDUCTION IN OUR ESTIMATE OF GOLD PRODUCTION *

Identification of a major ore-unloading bottleneck at the Muruntau gold mining and processing facility—the largest in the USSR—has resulted in a reassessment of the plant's output and a reduction in our estimate of recent Soviet gold production. We now believe that Soviet gold production totaled about 270 tons in 1977 or 100 tons less than our previous estimate. Soviet gold reserves at the end of 1977 are in turn calculated at about 1,530 tons instead of 1,865 tons, a difference of about \$2 billion at current market prices. If our estimates are correct, the USSR has been selling substantially more gold than it has been producing since 1975.

The revisions reflect only the reassessment of production at Muruntau, which accounted for one-third of our previous estimate of total Soviet gold production in 1977 and only about 7 percent of the revised estimate. Estimates of production in Magadan Oblast and the Yakutsk ASSR, which account for about one-half of the revised estimate, [redacted] have not been changed. We also are reasonably certain of the accuracy of the estimate for roughly another one-

* This article presents the main points of an Intelligence Assessment [redacted]

[redacted]

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USSR: Production and Allocation of Gold

	Tons								
	1969	1970	1971	1972	1973	1974	1975	1976	1977
Previous CIA estimates									
Total production	191	203	222	258	265	275	303	351	371
Muruntau	1	5	20	45	45	45	80	110	120
Other	190	198	202	213	220	230	223	241	251
Domestic consumption	37	39	39	40	41	42	43	45	46
Sales	0	3	19	158	304	131	147	328	332
Yearend reserves	1,376	1,537	1,701	1,761	1,681	1,783	1,896	1,874	1,867
Revised CIA estimates									
Total production	191	203	212	233	240	248	243	261	270
Muruntau	1	5	10	20	20	20	20	20	20
Other	190	198	202	213	220	228	223	241	250
Domestic consumption	37	39	39	40	41	42	43	45	46
Sales	0	3	19	158	304	131	147	328	332
Yearend reserves	1,376	1,537	1,691	1,726	1,621	1,696	1,749	1,637	1,529

fifth of total output produced as a byproduct of the copper industry. We are much less certain about production at 17 other gold mining locations scattered throughout the USSR, which account for the remaining 20 percent of the revised production estimate. An analysis of the data on these facilities now under way may lead to further revisions in our estimates of Soviet gold production and reserves.

Processing Capacity at Muruntau

New information has led us to reduce our estimates of both capacity and output at Muruntau; [REDACTED]

[REDACTED] We previously believed that the effective processing capacity of Muruntau had risen from about 45 tons of gold in 1972-74 to 120 tons in 1977 and that construction under way would have brought capacity to 135 tons in 1979-80. We estimated production was at capacity levels in 1969-72.

We have now lowered our estimates of annual Muruntau processing capacity to 66 tons of gold * as of July 1978 and 75 tons in 1980.

Unloading Capacity at Muruntau

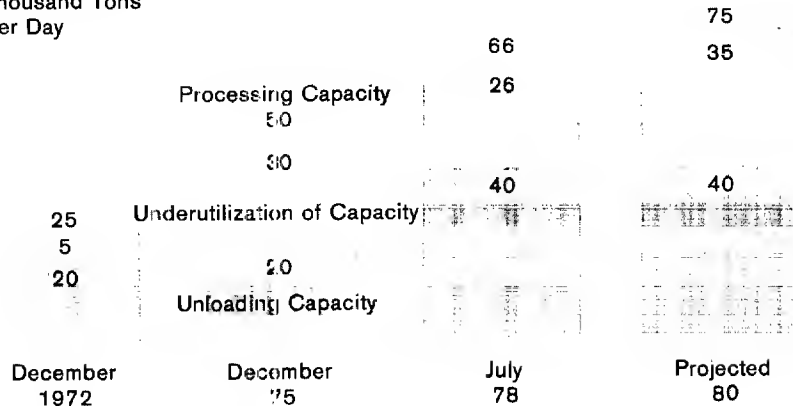
Since 1972, processing capacity has not been fully utilized because of an ore-unloading bottleneck. Soviet data and factors derived from the operating experience

* This annual production of 66 tons of gold would require a daily processing capacity of 66,000 tons of ore with ore content of 0.10 troy ounce per ton, a recovery rate of 90 percent, and a 360-day work year.

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Installed Processing Capacity and Ore-Unloading Capacity at Muruntau

Thousand Tons
Per Day



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of US mining and railroad companies indicate that between the start of operations in July 1969 and mid-1978, the Soviets could deliver a maximum of only 20,000 tons of ore per day to the plant, only enough to produce about 20 tons of gold per year, 100 tons less than the production figure we were carrying for 1977. The new estimate of maximum ore deliveries [redacted]

[redacted] that an average of 15,000 to 20,000 tons of ore per day have been processed since 1969.

The Capacity Anomaly

Between the start of operations in 1969 and the end of 1972, unloading capability of 20,000 tons of ore per day was not significantly below the 25,000-ton capacity of processing facilities. Between 1973 and mid-1978, however, processing capacity grew from 25,000 tons per day to about 66,000 tons, but ore-unloading capacity remained at 20,000 tons. A second ore-unloading facility, which doubles the capacity to unload ore, was completed by mid-1978. With the second facility in place, maximum potential output from Muruntau has jumped to about 40 tons of gold per year, still well below the processing capacity.

We do not know why the Soviets have not been expanding ore-unloading facilities faster. We can think of a number of explanations but have no evidence to support any of these.

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One possibility is that shortages of chemicals critical in the refining of gold have been hampering production at plants using Muruntau's technology. And we cannot rule out the possibility that the gap between unloading capacity and processing capacity has been the result of bureaucratic bungling, as when facilities constructed by one ministry stand idle for lack of raw materials or critical components supplied by other ministries.

Future Developments

To operate the plant at or near design capacity, the Soviets will have to install at least two more unloading points using the existing rail transport system or move part of the ore by truck. We have no evidence they have done either.

With the recent expansion of the ore-unloading facilities, we estimate that annual gold production at Muruntau will increase to about 30 tons in 1978 and 40 tons in 1979 and 1980. If the Soviets install the additional necessary ore-unloading facilities, Muruntau production could increase to 75 tons per year.

Impact on Sales Estimates

The revision of estimated gold production at Muruntau has caused us to reduce our estimate of Soviet gold reserves as of yearend 1977, from 1,865 tons (\$12 billion at \$200 an ounce) to about 1,530 tons (\$10 billion). We now estimate that the Soviets have drawn down their gold reserves by about 200 tons to meet hard currency requirements since they resumed large gold sales in 1972. In 1976-77 Moscow marketed roughly 660 tons of gold, earning almost \$3 billion. Sales in first quarter 1978 were particularly heavy, and after withdrawing from the market for a short period, the USSR is believed to be selling again in quantity.

The reduction in our estimates of reserves is of little *immediate* importance for the Soviet hard currency position. With \$9.8 billion in gold reserves and annual gold production valued at about \$1.7 billion, availability of gold for export is not likely to substantially constrain imports in the near term. In the next few years, however, falling Soviet oil production is expected to cut into Moscow's hard currency earnings; this will probably intensify pressure to expand gold sales to the West. At some point, Moscow will have to tie its sales more closely to current production in order to maintain reserves at an acceptable level. (Secret Noform WNINTEL)

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VIETNAM: COPING WITH CHINESE PULLOUT

Vietnam is having mixed results coping with China's cancellation of its roughly 100 aid projects last month. The USSR is helping out with additional technical personnel and materials, but non-Communist donors are chary of replacing Chinese support for fear of offending Peking. While many of the canceled projects were not essential to the long-term development of Vietnam, some were vital to development programs in the transport, mining, and steel manufacturing sectors. In any event, Vietnam's major problem lies not so much in attracting aid as in using efficiently what has already been lined up.

Dealing With China's Aid Cutoff

Hanoi's sudden request to join the Soviet-dominated Council for Mutual Economic Assistance (CEMA) early in July was the leadership's initial response to heavy-handed Chinese economic pressure. Shortly after Vietnam's membership was accepted—and China cut off all its approximately \$300 million in annual assistance—Vietnamese Vice Premier Le Than Nghi visited the USSR, Romania, Hungary, and East Germany while other Vietnamese delegations went to Bulgaria and Poland to solicit aid.

The results of this diplomatic foray are not known, but CEMA members are expected to at least partly fill the breach left by the Chinese. Although CEMA membership is unlikely to boost multilateral aid receipts from the organization, it will facilitate bilateral flows from East European countries.

Soviet personnel have already replaced the 300 Chinese engineers and technicians building the high-priority Thang Long bridge across the Red River near Hanoi. The USSR presumably will also provide the concrete, steel, and other materials for the bridge that were formerly supplied by the PRC. The two-level, 5,500 meter rail, road, and pedestrian bridge is needed to supplement inadequate bridge and ferry service linking Hanoi with points north.

Western Reluctance to Fill the Gap

Even though Hanoi wants to avoid becoming overly dependent on the Soviets, it has been less successful in getting Western nations to fill the gap caused by the Chinese withdrawal. The French steel firm Creusot-Loire, for example, has declined to reconsider building steel-making facilities at the Thai Nguyen Iron and Steel Combine near Hanoi. The complex was begun by China in the early 1960s and reconstructed with Chinese assistance during and after the war; it includes a rolling mill provided by

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East Germany. The French firm had been negotiating for several years on a \$200 million addition to the complex when the project was reportedly shelved earlier this year because Vietnam was unable to provide sufficient local logistical support.

Paris refused to reconsider Hanoi's latest aid bid on the grounds that PRC sensibilities would be offended. Exasperation over the previous drawn-out negotiations as well as Vietnam's inability so far to efficiently use French aid were probably also contributing factors. The French refusal may lead Hanoi to reconsider an earlier offer of steel facilities from the USSR.

Tokyo is reluctant to take over Chinese aid projects for fear of jeopardizing Japanese-Chinese relations. Japan is already Vietnam's most important non-Communist aid donor and trading partner. Kawasaki Steel Corporation recently rejected a Vietnamese request that it take over an iron ore mining project abandoned by China. The Japanese Government has also declined to pick up other Chinese projects. Hanoi is nonetheless intent on pursuing the Japanese connection and last month awarded a Japanese firm a \$50 million textile plant contract ahead of other bidders, specifically to draw closer to Tokyo.

West Germany has been approached by the Vietnamese about the possibility of completing Chinese projects but has not yet made a decision.

Difficulties in Absorbing Postwar Aid

Inadequate foreign capital per se is not at the root of Vietnam's dismal postwar economic performance. Since 1975, Vietnam has lined up aid offers of \$5.6 billion extending through 1980. This level of aid should support annual GNP growth on the order of 5 to 10 percent, compared with the stagnation Vietnam has experienced to date. GNP last year was only 3 percent above 1974.

For a variety of reasons Vietnam has been unable to translate aid pledges into completed projects. Postwar demands on Vietnamese policymakers have slowed decisions on organizing aid programs. Hanoi is reluctant to allow many non-Communist advisers into the country even though government leaders admit that the major shortcoming to development of the economy is insufficient managerial and technical talent.

Finally, Vietnam's infrastructure is not up to the task of efficiently absorbing aid. The main port of Haiphong is strained well beyond its capacity while southern ports have deteriorated over the past several years. Internal transportation linking ports with project sites (concentrated in the north) is inadequate, and Hanoi has been reluctant to

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Vietnam: Postwar Aid and Credit Pledges, 1976-80¹

		Million US \$	
Total pledges	5,613	Multilateral	377
Communist	3,831	UN	192
USSR	2,500	World Bank	90
China	600 ²	IMF	54
East European Countries	719	Other	41
Cuba	12		
Non-Communist	1,155	Commercial credit	250
Sweden	370		
France	207		
Japan	155		
Norway	75		
Denmark	50		
Iraq	35		
Algeria	20		
Other	243		

¹ Pledges may diverge widely from actual aid receipts. Drawings on Swedish and French aid, for example, are slow and will likely go behind 1980; most Japanese aid is used as quickly as it is pledged.

² Estimated Chinese aid receipts up to cutoff in mid-1978.

allow foreign access to the south. Pilferage and damage to materials and equipment are substantial throughout the country, and government agencies are currently incapable of providing the local component of many projects.

Postwar Aid Donors

The bulk of postwar aid is being supplied by Vietnam's Communist allies and is mostly tied to specific projects. Perhaps a quarter of Soviet aid, for example, is committed to a 1.7-million kilowatt hydroelectric project in northern Vietnam. Moreover, aid from East European countries, as well as the USSR, frequently requires repayment in products produced by aid projects, thereby limiting Vietnam's pay-off in foreign exchange earnings. Some Soviet aid takes the form of hard currency purchases of wheat from Australia and other countries and of petroleum from the Middle East.

Non-Communist nations are supplying about 20 percent of Vietnam's aid. The leading donors are Japan, France, and the Scandinavian countries. We see no indications that this share will rise substantially in the next few years. As with Communist aid, most assistance is allocated to specific projects, such as plants producing cement, paper, and bicycles, and facilities for the fishing industry. In addition, aid is used to purchase transport equipment, machinery, petroleum products, and grain.

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About \$375 million in multilateral aid has been pledged so far. Multilateral aid is provided mainly by United Nations agencies, the World Bank and International Monetary Fund, and the Asian Development Bank. The bulk of aid from these organizations is for irrigation and rural development projects and for food imports.

Commercial lending to Vietnam has slowed considerably in recent months. Early in the postwar period, Vietnam obtained about \$250 million in medium-term loans from European, Japanese, and Hong Kong bank syndicates. The loans were used for ship purchases and for food and petroleum imports. Now, bankers see substantial risks in extending credit further, noting Vietnam's stagnant economy and preoccupation with both the Cambodia border war and the rift with China.

Continuation of Aid Search

Vietnam will continue to press for additional aid for its ambitious development programs from both Communist and Western sources. There is little prospect that the quarrel with China will be settled soon and Chinese aid resumed. Complicating Hanoi's interest in CEMA aid, however, is concern about being wedged more tightly into the Soviet bloc with consequent limitations on foreign policy maneuverability. From Hanoi's perspective, recent approaches to the United States on establishing diplomatic relations are a first step in offsetting both rising Soviet influence and the break with China. For the moment Hanoi has dropped its demand for reconstruction aid from the United States as a condition for normalizing relations; potential US aid nonetheless remains a tantalizing prospect for the Vietnamese leadership. (Secret Nofofn-Nocontract)

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THE GOLDEN TRIANGLE: NEW DEVELOPMENTS IN NARCOTICS TRAFFICKING*

The Golden Triangle, a broad area embracing parts of Burma, Thailand, and Laos, remains the center of world opium production for illicit purposes. We expect production in 1978 to range between 420 and 470 tons—well above 1977's figure of 375 tons but slightly less than in 1975 and 1976.

Destination

Although two-thirds of the area's output is consumed within the three producing

* This article presents the key conclusions on a forthcoming report of the Office of Economic Research.

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nations, in an average year approximately 150 tons of opium equivalent enters international markets. This probably represents the largest single source of opium and opium derivatives entering the international illicit trade. About one-half of Golden Triangle exports are consumed in other southeast Asian countries, with Malaysia, Hong Kong, Singapore, and Indonesia being the largest markets. Typically, another 60 tons of opium equivalent enter the West European market, while five to 10 tons go to Australia.

In 1977, about one-third of the six tons of opium equivalent consumed in the United States was of Golden Triangle origin. This marks a significant increase over previous years and apparently results from a reduction in the flow of heroin derived from Mexican opium. (Mexican heroin, which supplied about 90 percent of the US market in the mid-1970s, has declined sharply in importance because of Mexico's increasingly effective program of destroying poppy plantations as well as increased US interdiction of heroin shipments at the border.) Golden Triangle heroin destined for the United States is smuggled aboard international flights from Thailand and Singapore and by sea shipments through Malaysia or other Pacific points.

Distribution System

Most Golden Triangle opium distribution has been traditionally in the hands of ethnic Chinese, usually of Yunnanese origin. The most important of these groups are the Chinese-led Shan United Army and the Chinese Irregular Forces. The latter group was originally composed of remnants of Nationalist armies driven from western China when the Communists consolidated their control. The SUA, on the other hand, has been mainly a narcotics trafficking group which employs large numbers of ethnic Shans as soldiers and laborers. The transport role of these groups has been declining in recent years, however, because of government interdiction efforts. Independent traffickers and tribal groups, which because of their smaller size are more difficult targets for government action, now handle about two-thirds of opium shipments within the Triangle. Some of these independent traffickers work under contract for or pay taxes to the Chinese groups. Burmese Communists are also increasing their role in narcotics activity by offering protection to opium caravans through their areas of control.

Processing and international shipping remain in the hands of ethnic Chinese. In particular, narcotics destined for the international market are often financed by consortiums made up of Chinese businessmen who also may have other legitimate interests. The actual physical distribution is handled by ethnic Chinese, usually of South China ancestry, who deal with compatriots in Chinese communities throughout the world.

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Attempts to Curb Traffic

The Burmese Government is engaging in vigorous police and military actions against growers, processors, and smugglers. Although these efforts have resulted in some structural changes in the narcotics business—including a decline in the use of large caravans—they appear to be having little lasting effect on total opium output. Opium cultivation continues to be the main source of income for many tribal groups. As government forces are unable to effectively control all areas of Burma on a continuous basis, tribal groups have little incentive to give up opium production despite the occasional destruction of their crops and stocks. As for Thailand, the government has moved more cautiously against growers, focusing its anti-narcotics effort instead on urban enforcement. The government of Laos is apparently making no effort to discourage the narcotics business in its jurisdiction.

Near-Term Outlook

In the near term we expect heroin that is derived from Golden Triangle opium to come into the US market in increasing amounts as (a) Mexican heroin is prevented from entering the United States in customary quantities, and (b) Golden Triangle heroin is displaced in Western Europe by heroin of South Asian origin. We see little likelihood that the total supply of Golden Triangle opium will be significantly reduced. Indeed, government interdiction efforts may have strengthened the business by forcing traffickers to shorten lines of communication, take advantage of relatively safe supplies from Communist-controlled areas, process opium near the site of poppy cultivation, and use small caravans of independent transporters. Marginal traffickers have been forced out, and those remaining are better organized and financed than ever. Moreover, Laos—where regulation is weak and which was once only a minor factor in Golden Triangle production—may be emerging as a major supplier of narcotics. (Secret Noform)

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ANGOLA: ECONOMY FLOUNDERING UNDER COMMUNIST MANAGEMENT

The Neto government's recent campaign to improve relations with the West largely reflects its mounting frustration with Cuban and Soviet handling of the Angolan economy. Besides botching their management role, the Communists reportedly have revived colonial practices that had been particularly galling to black nationalists when Angola was under Portuguese control. With the economy still reeling

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under the impact of the Portuguese exodus, the protracted fighting with UNITA, and the disruptions of Neto's drive for socialization, Cuban and Soviet advisers will not be able to restore preindependence levels of activity in the next several years. Only oil exports from the US-operated offshore wells at Cabinda are keeping the economy afloat, and these earnings almost certainly will fall off in 1979.

Cubans and Soviets at the Helm

After independence in late 1975, the MPLA government turned to the Communists who were directing and supporting its military efforts for guidance in running and reorganizing Angola along socialist lines. Although far from filling the void left by the departure of the Portuguese in 1975, Cuban managers and technicians flooded the country. More recently, the Soviets have increased their civilian presence, to some degree at the expense of the Cubans who increasingly are being accused of managerial incompetence and corruption.

As of mid-1978 about 10,000 Communist civilian technicians appear to be in Angola. All of the country's economic ministries are heavily influenced by the Communists. The Cubans reportedly dominate the Transportation Ministry and have a strong say in the Construction and Housing Ministry besides providing the bulk of teachers, port managers, and agricultural, water, electric power, and medical technicians. The Soviets have concentrated on commerce and finance; they apparently control the central bank, the Finance Ministry, and the Fisheries Ministry, and increasingly are ousting Cubans from the top echelons of the Foreign Trade Ministry.

Communist Economic Exploitation

In the spirit of their Portuguese predecessors, the Cubans and Soviets both appear to be earning hard currency by bartering either technical advice or military equipment for Angolan exports valued at concessionary prices, then reselling the goods advantageously on the world market. Analysis of Soviet trade data [REDACTED]

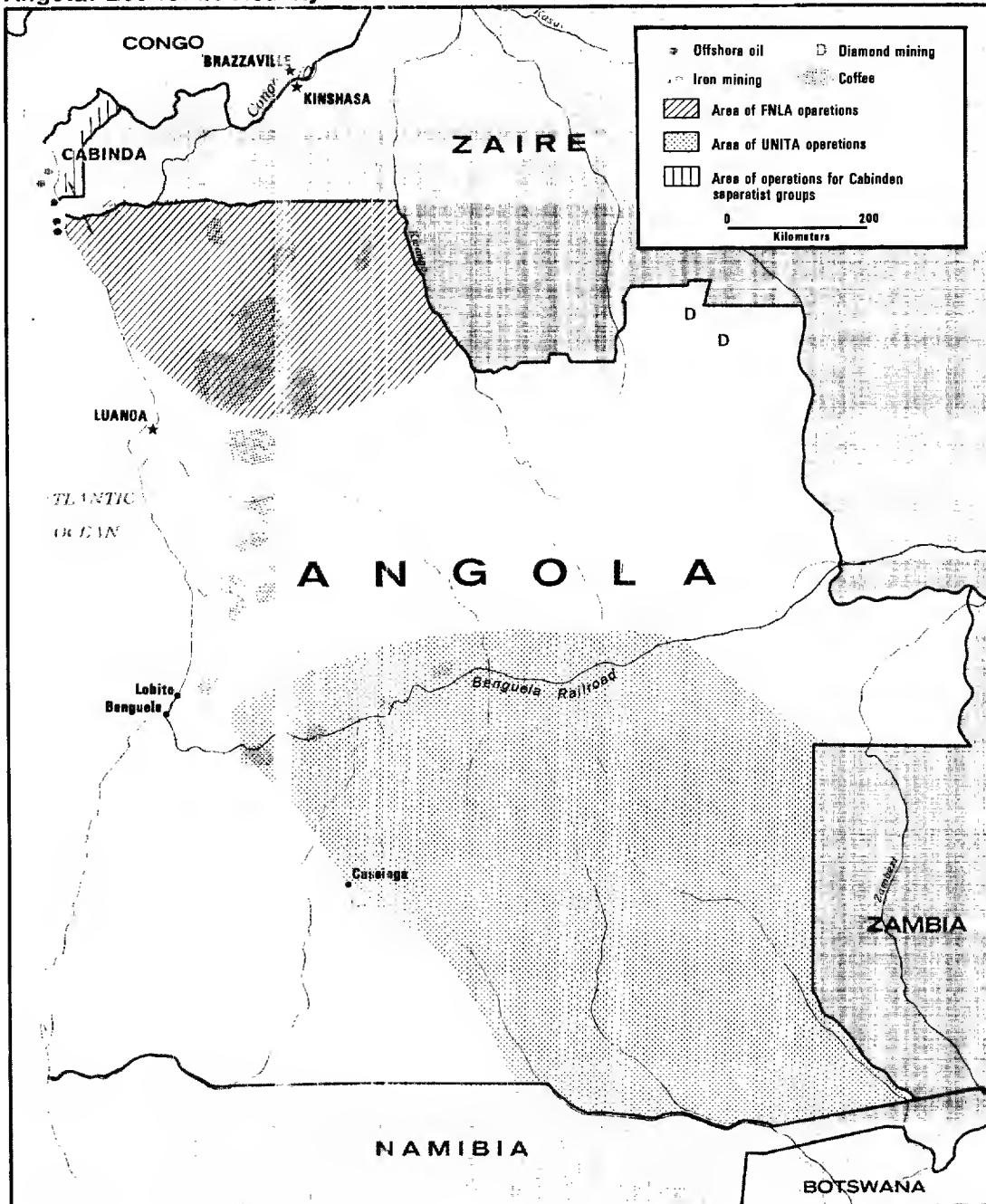
[REDACTED] indicate concessionary sales of coffee and diamonds, which traditionally have accounted for a third of Angolan exports.

Soviet trade data show:

- Soviet purchases of 8,000 tons—11 percent of the 1976 coffee crop—at \$1.09 a pound in rubles, compared with world prices of \$1.28.
- Soviet purchases of 4,000 tons—5 percent of the 1977 coffee crop—at \$1.58 a pound in rubles, compared with world prices of \$2.24.

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Angola: Economic Activity



576932 8-78 CIA

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Analysis of partner trade data and fragmentary reporting suggest that Communist coffee purchases at concessionary prices may have been greater than revealed by the Soviet trade accounts—as much as half the crop in 1976. Hence, the Communists may be selling Angolan coffee directly on world markets.

Some evidence exists that:

- About one-half Angolan diamond production, which at 1978 world market prices would have an estimated annual value of \$30 million, is being transferred to the USSR and Cuba.
- Cuba is marketing the 1978 coffee crop, valued at \$214 million at world market prices.

Both Cubans and Soviets in Angola have preempted scarce consumer goods for their own use. Urban Angolans are resentful about waiting in long lines for consumer items while “special stores” are well stocked for foreign personnel. Cuban troops receive priority in food distribution, particularly for scarce commodities such as beef. The Cubans also have been accused of profiting from smuggling and black market trading of consumer imports.

The Economic Decline

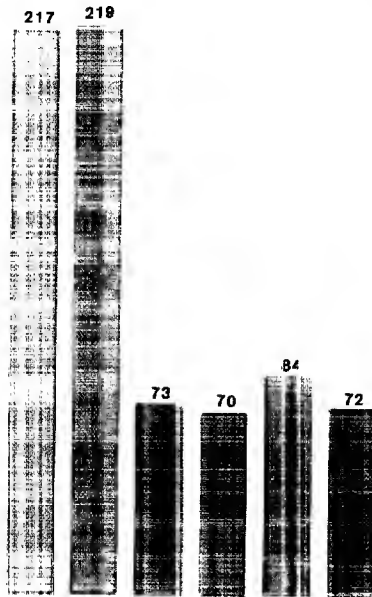
Cuban and Soviet advice and management have been able to do little to reverse the slide in the Angolan economy sparked by the civil war, the departure of 300,000 to 400,000 Portuguese, and persistent guerrilla activity in the southeastern part of the country. Since 1975, GNP has fallen at least 15 percent in real terms, and output of important foreign exchange earners such as coffee, diamonds, and iron ore has plummeted. Aside from their ignorance of local agricultural conditions, the Communists are too few in number to offset the loss of entrepreneurial skills, middlemen, and markets represented by the Portuguese. Moreover, the demand for professional and technical talent has increased in the public sector because of the Neto government's socialization program. Managers and technicians are needed to run the nationalized plantations and factories and to distribute and market crops and other commodities at home and abroad.

Commercial agriculture, which had benefited from seasoned Portuguese management, has been particularly hard hit. Production of coffee, Angola's leading cash crop, is estimated at only one-third of preindependence levels in 1978. The combined efforts of the economically inexperienced Neto government and of Cuban and Soviet technicians have been able to keep only one-quarter of the coffee plantations in

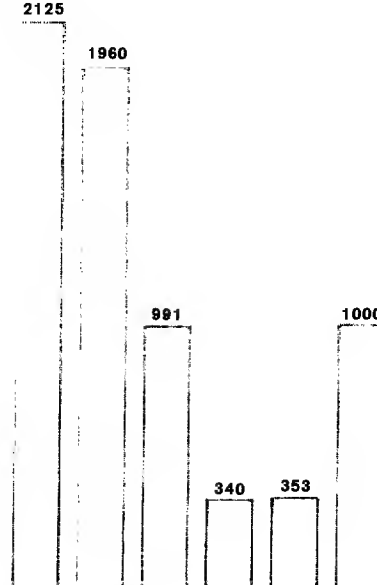
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Angola: Production of Key Commodities

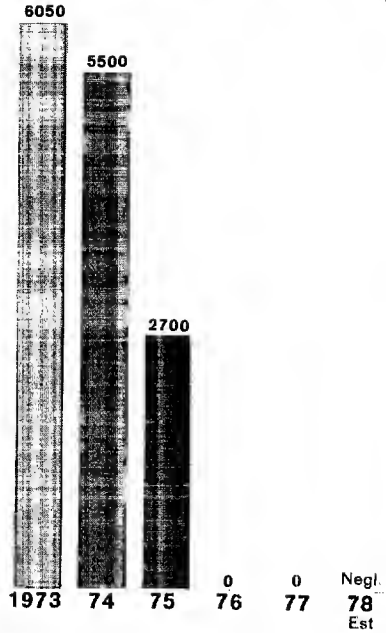
Coffee
Thousand tons



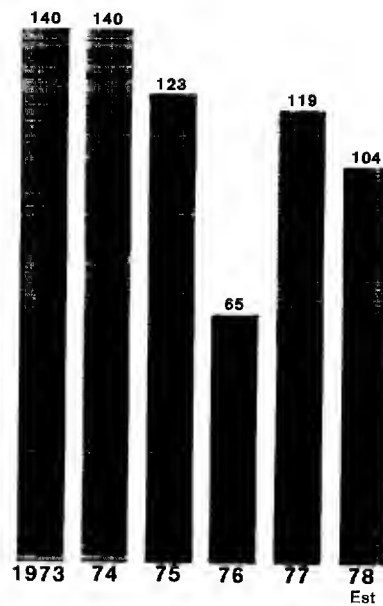
Diamonds
Thousand carats



Iron Ore
Thousand tons



Petroleum (offshore)
Thousand b/d



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production. Compounding technical and management deficiencies is the damage done to coffee trees when the Zaire-based FNLA was contesting the Neto government for control of northern Angola in 1975-76. Migrant labor for the coffee plantations, which are located in the north, now is cut off in the southern territory largely controlled by UNITA.

Food production and distribution also are curtailed. Even subsistence farmers, who normally produce small surpluses for local trading, have cut output to avoid theft by government troops. Cuban and government forces have depleted herds of livestock and game through indiscriminate slaughter. Truck and rail transport of food and other crops to cities has been interrupted by guerrilla sabotage, parts shortages, and the inexperience of operators and mechanics.

The mining sector also has suffered greatly in recent years. Iron ore output from the all-important Jamba mine (near Cassinga) ceased in 1975 when (a) the Portuguese fled; (b) the Angolan military confiscated the mine's trucks and bulldozers; and (c) the mine's turbojet was highjacked to South Africa by a mechanic. Diamond output—80 percent of which is gem quality—has dropped sharply. The open-pit diamond mines are located mostly in the northeastern Lunda district controlled by Cuban troops.

The rest of the economy remains in poor shape:

- Light industry, which had been growing at 15 to 20 percent a year prior to independence, now appears to be operating at between one-quarter and one-half of capacity.
- Urban construction has come to a standstill, intensifying Angola's critical housing shortage.
- Although oil production resumed in April 1976, the current glut in the world petroleum market has kept the offshore oil platforms at Cabinda producing at only about 100,000 b/d, or 75 percent of preindependence levels.

Current Account Surplus Down

The dislocations in economic activity have greatly reduced Angolan trade volume and have contributed to a steady drop in the current account surplus. A \$730 million decrease in exports in the two years 1975-76 far outdistanced a reduction in imports, cutting the trade surplus by more than 60 percent. Export losses would have been much greater except for coffee exports from stocks built up in previous years and the return to normal operation of the Cabinda oilfields.

17 August 1978

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Angola: Current Account ¹

	Million US \$				
	1973	1974	1975	1976	1977
Current account balance	200	590	409	122	30
Trade balance	257	682	539	262	180
Exports, f.o.b.	745	1,281	918	554	900
Of which:					
Petroleum	240	500	481	273	539
Coffee	241	286	215	232	301
Diamonds	105	96	53	17	18
Imports, f.o.b.	488	599	379	292	720
Net services and transfers	- 57	-92	-130	-140	-150

¹ Data largely are estimates, based on the statistics of trade partners and fragmentary reporting on services and transfers. Exports are valued at world market prices, except for Soviet coffee purchases; imports probably exclude Communist military equipment.

Although exports rebounded in 1977, imports increased 1.5 times, in large part reflecting the replacement of nearly half of the 23,000 vehicles (mostly from Eastern Europe) destroyed or taken out of the country by the Portuguese during the civil war. Imports of grain also have jumped, their share of domestic consumption rising from a range of 10 to 15 percent to roughly 25 percent of requirements. Other food imports also are up sharply.

Foreign remittances by Cuban technicians, who are paid by the Angolan Government, represent a growing foreign exchange drain. At average wage and salary rates in Cuba—\$200 to \$250 a month—the wages paid to Cuban technicians would total about \$20 million annually; of this, probably more than half would be sent back to Cuba. Salaries for Cubans in Angola probably exceed pay in Cuba.

Loss of income from the Benguela Railroad, which had earned \$40 to \$50 million a year from transshipments of Zambian and Zairian trade, has also reduced the current account surplus. The railroad reportedly is operating at only 15 percent of capacity. Moreover, labor problems at the ports of Luanda and Lobito have caused berthing delays of 60 to 90 days, costing Angola as much as several million dollars a month in demurrage.

Turn to the West

Disappointment with Cuban and Soviet technical and managerial assistance is an important factor in the Neto government decision to seek closer ties with the West. Since early July, Angola has (a) hosted a visit by EC Commissioner for Development Claude Cheysson; (b) expressed interest in joining the Lome convention; (c) extended

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political and economic feelers toward the United States, West Germany, France, Japan, Spain, Holland, and Belgium; and (d) agreed to the return of some Angolan refugees from Portugal.

Whatever the outcome of Neto's Western demarche, economic recovery will be slow. Even large-scale Western help and peace with UNITA would not quickly return output to preindependence levels. Coffee production and exports, for example, will be reduced for several years because of the wartime damage and inadequate attention to coffee trees. Coffee stocks have dropped by more than half since independence. Oil production is slated to decline over the near term due to weak international demand for the waxy Cabinda crude.

Given the poor outlook for key Angolan exports and the likelihood that imports will pick up as the government attempts to regain development momentum, Angola almost certainly is headed for a payments problem. Indeed, several signs of an emerging foreign exchange shortage already exist. Guaranteed credit and immediate cash payments to exporters are not as readily available as last year, and Angola probably will need several hundred million dollars in credits and grants from western suppliers in the next year or so. (Secret Noform-Nocontract-Orcon)

* * * * *

Notes

South Korean Boom Darkened by Inflation

Inflation is casting a cloud over an otherwise buoyant South Korean economy, generating substantial public concern—most notably in the military—and threatening to become an important political issue in upcoming National Assembly elections. Led by prices for food and housing, consumer prices are now rising at more than 15 percent per annum compared with 10 percent in 1977, according to the official index, which appreciably understates the increase.

The underlying factors include:

- A severe spring drought has cut agricultural supplies and boosted food prices.
- Rising real incomes have boosted consumer demand, especially for housing and consumer durables; sales of washing machines and refrigerators are more than triple last year's levels.

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- A construction boom—permits are up 75 percent over last summer—has created shortages of building materials and skilled labor.
- Business and household income is being bolstered by the inflow of earnings from overseas construction projects.
- Import costs are on the rise because of the appreciation of the Japanese yen; South Korea, which has kept its won pegged to the US dollar, relies on Japan for almost 50 percent of its nonoil imports.
- The government has been forced to authorize large increases in price ceilings in recent months, including charges for utilities and transportation.

Even though most South Koreans are benefiting from higher real wages, concern about inflation has spread, with military officers complaining of morale problems because military pay is falling behind the cost of living. The opposition New Democratic Party (NDP) has called for the economic ministers to step down and is likely to make inflation a key issue in National Assembly elections slated to be held later this year or in early 1979.

Since mid-year, the Pak government has begun to lean against the inflation by limiting credit, trimming government expenditures, and subsidizing a small increase in imports of food and coal. So long as the boom continues with the concomitant shortages of skilled labor and housing, however, prices and wages will continue to spiral. As yet, the inflation is not jeopardizing the over-all health of the economy and its prospects for hitting the \$12.5 billion export target for 1978. (Confidential)

Eastern Europe Steps Up Euroborrowing

About \$1.7 billion in new Euroloans were negotiated by East European countries in the first seven months of 1978, double the amount for the same period in 1977; at least \$1 billion more is being sought. East Germany has arranged \$550 million in syndicated loans and Hungary \$400 million. Poland has borrowed about \$300 million and is seeking at least \$500 million more. Since most of the Euromarket loans are tied only loosely, if at all, to the purchase of Western goods, they provide funds needed to finance trade deficits or to roll over existing debt. (Confidential)

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Publications of Interest*

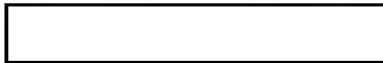
The Oil Market Through 1985
(ER 78-10206, August 1978, Secret Nofofn-Nocontract-Orcon)

This study analyzes the prospects for the international oil market during the next seven years. It surveys the likely range of OPEC oil supplies between now and 1985 and contrasts it with several alternative projections of world demand for OPEC oil. It also explores the key factors that will determine various supply and demand outcomes.

China: Foreign Trade Policy in the 1970s
(ER 78-10455, August 1978, Secret Nofofn-Nocontract)

This interdisciplinary publication explores the complex interplay of economic and political factors in the development of China's foreign trade policy since the Cultural Revolution (1966-69); it also outlines the trade policies currently being pursued by China's new post-Mao leadership.

* Copies of these publications may be obtained by calling



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National
Foreign
Assessment
Center

Economic Indicators Weekly Review

17 August 1978

*ER EI 78-033
17 August 1978*

Approved For Release 2002/05/07 : CIA-RDP80T00702A000800010005-7

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FOREWORD

1. The **Economic Indicators Weekly Review** provides up-to-date information on changes in the domestic and external economic activities of the major non-Communist developed countries. To the extent possible, the **Economic Indicators Weekly Review** is updated from press ticker and Embassy reporting, so that the results are made available to the reader weeks—or sometimes months—before receipt of official statistical publications. US data are provided by US government agencies.

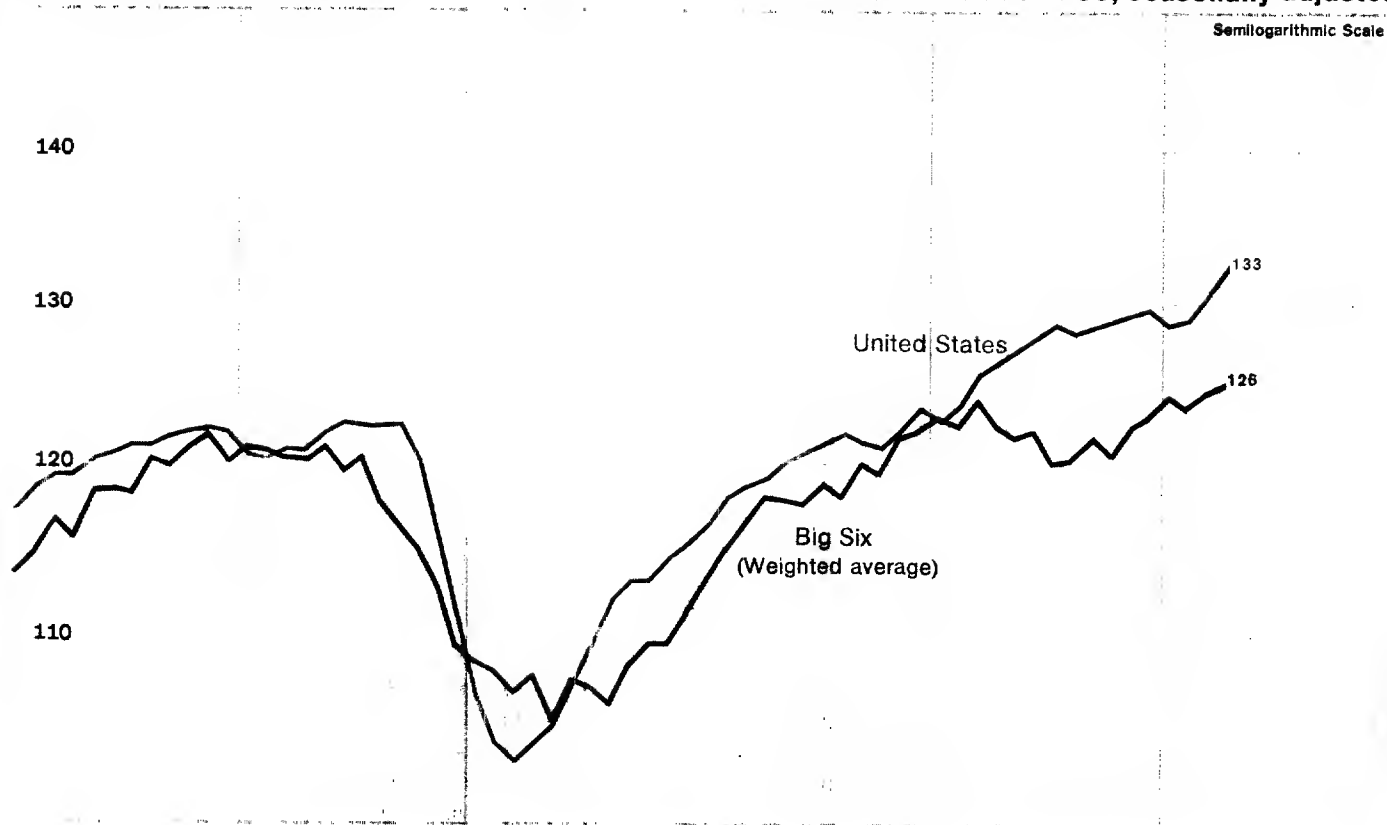
2. Source notes for the **Economic Indicators Weekly Review** are revised every few months. The most recent date of publication of source notes is 16 February 1978. Comments and queries regarding the **Economic Indicators Weekly Review** are welcomed.

BIG SIX FOREIGN COUNTRIES COMPOSITE INDICATORS

Industrial Production

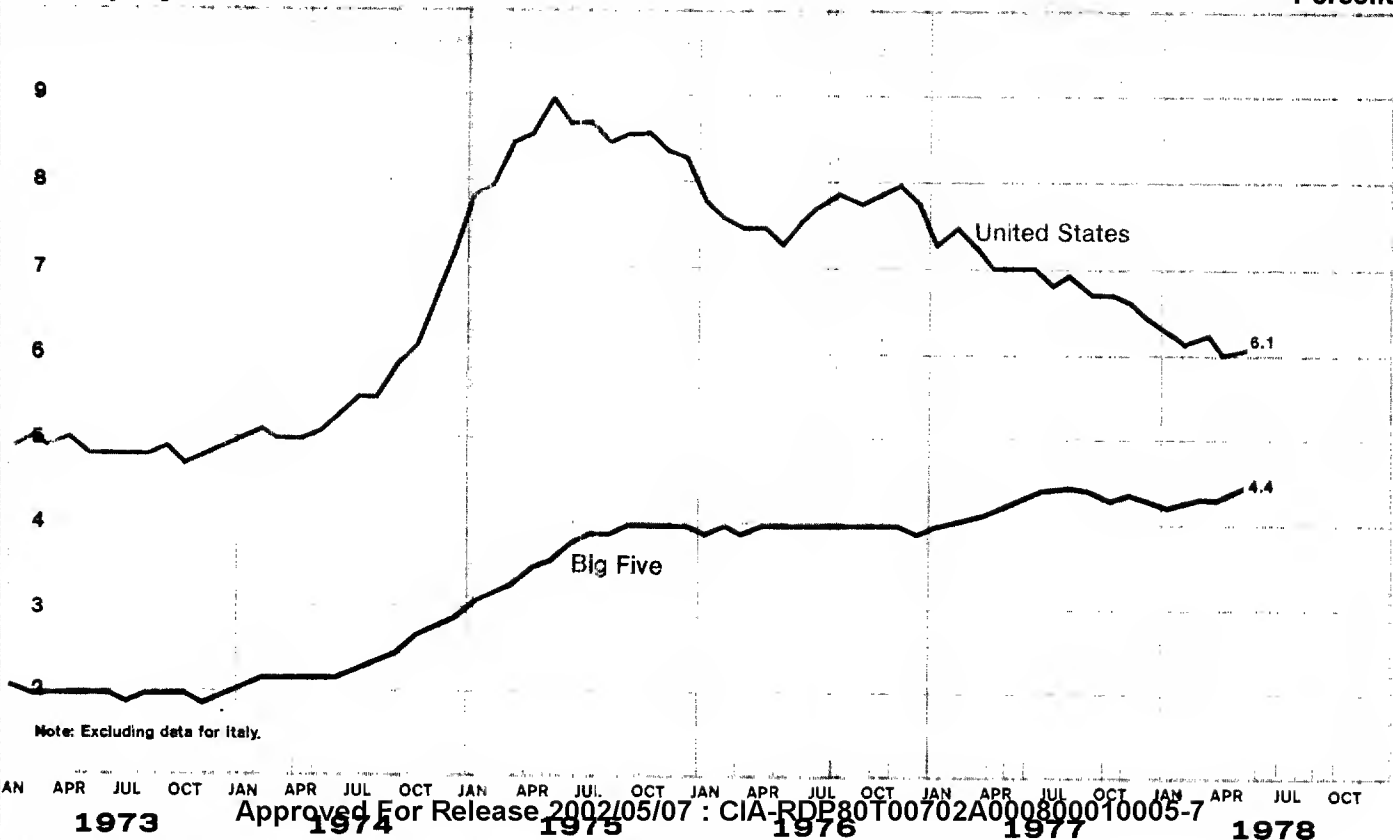
INDEX: 1970=100, seasonally adjusted

Semilogarithmic Scale



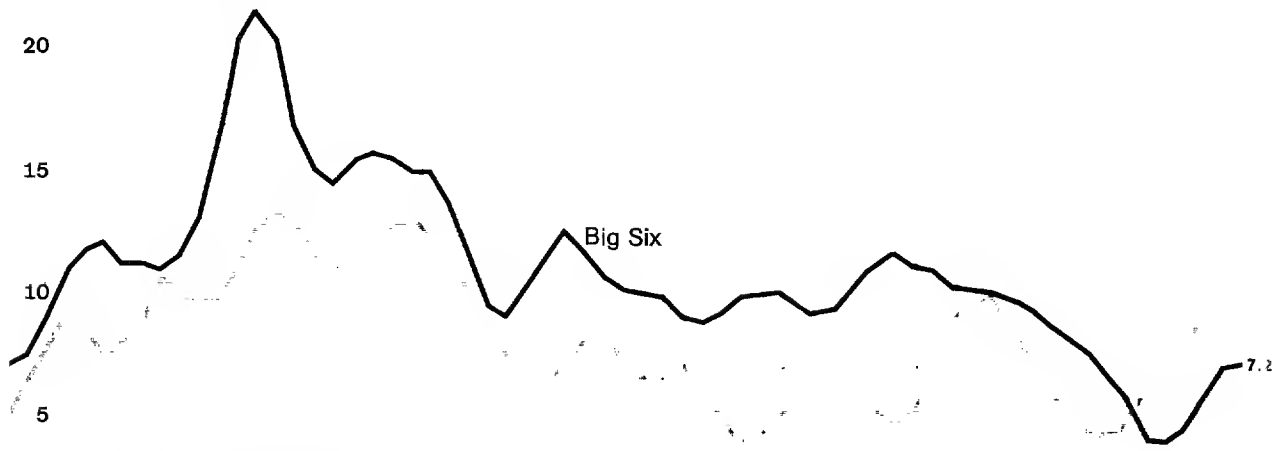
Unemployment Rate

Percent



Consumer Price Inflation

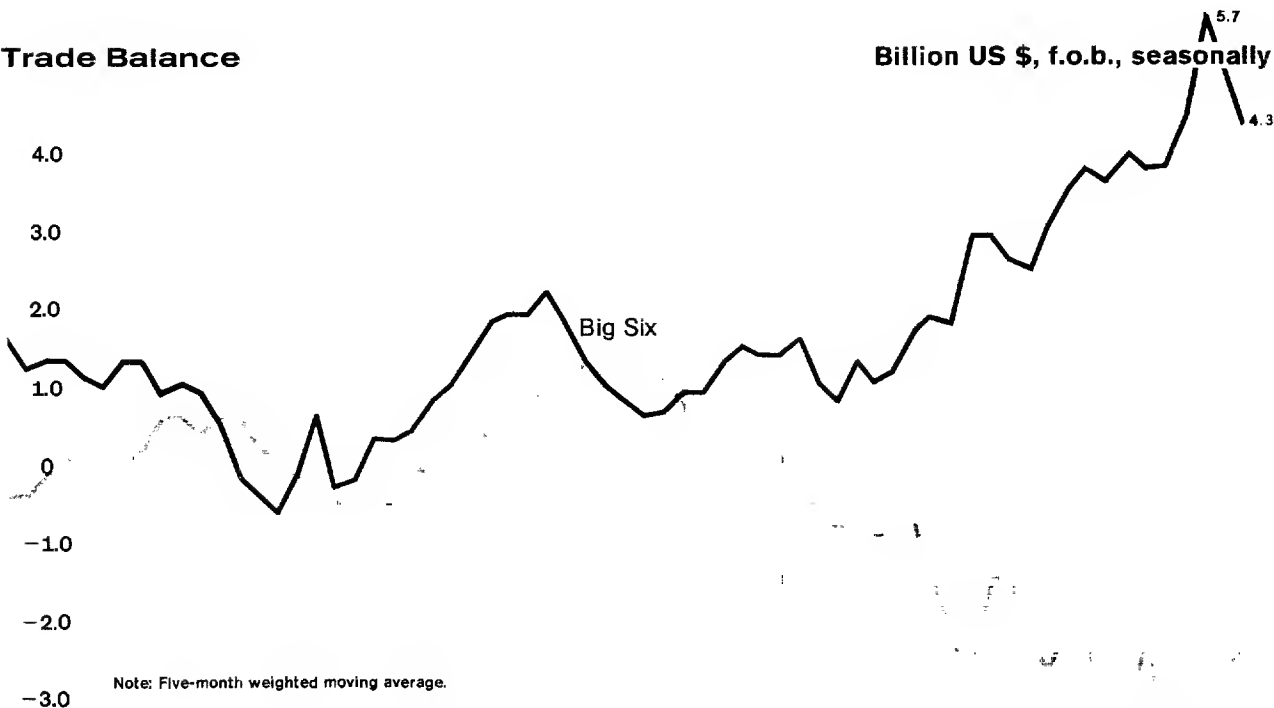
Percent, seasonally adjusted, annual rate



Note: Three-month average compared with previous three months.

Trade Balance

Billion US \$, f.o.b., seasonally adjusted



Note: Five-month weighted moving average.

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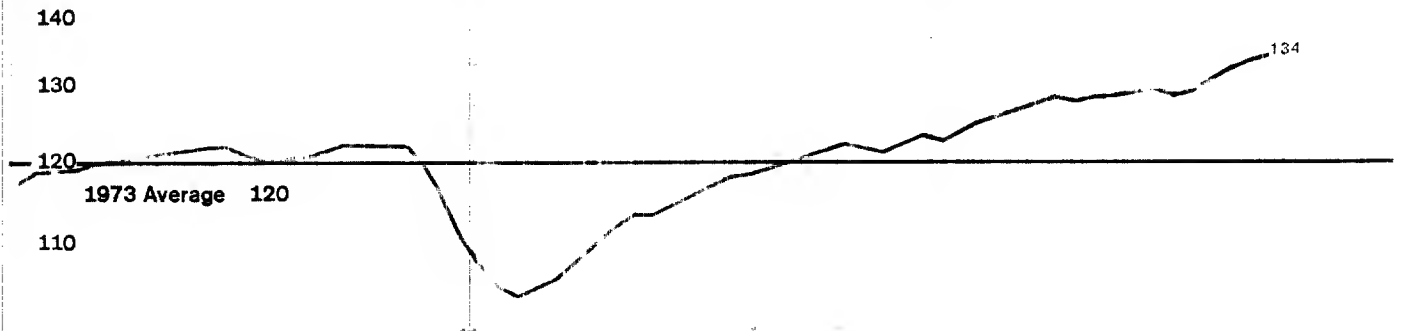
1973 1974 1975 1976 1977 1978

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE 1970			Unemployment Rate Big Five United States	LATEST MONTH	1 Year Earlier	3 Months Earlier	
			1970	1 Year Earlier	3 Months Earlier ²		MAY 78	4.4	4.2	4.3
Industrial Production										
Big Six United States	APR 78	0.6	3.0	3.0	4.2					
						LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
Consumer Prices								1978	1977	Change
Big Six United States	JUN 78	0.6	9.2	6.2	7.2	Trade Balance Big Six United States	MAY 78	3,499	22,513	11,298
									11,215	

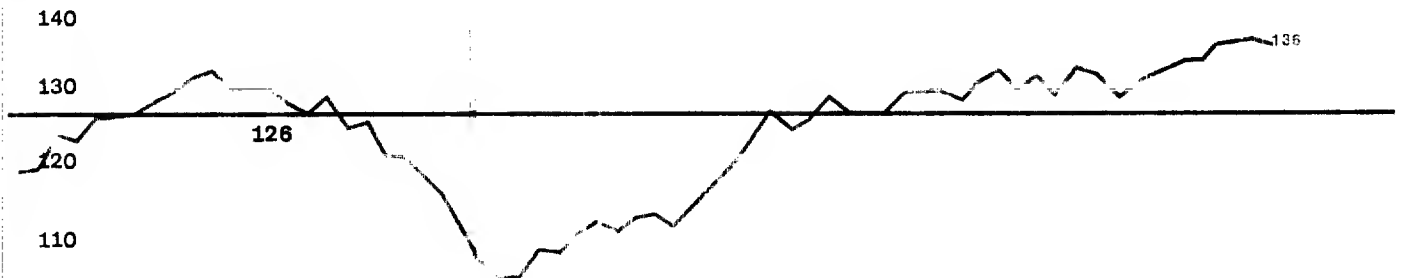
INDUSTRIAL PRODUCTION INDEX: 1970=100, seasonally adjusted

United States

Semilogarithmic Scale



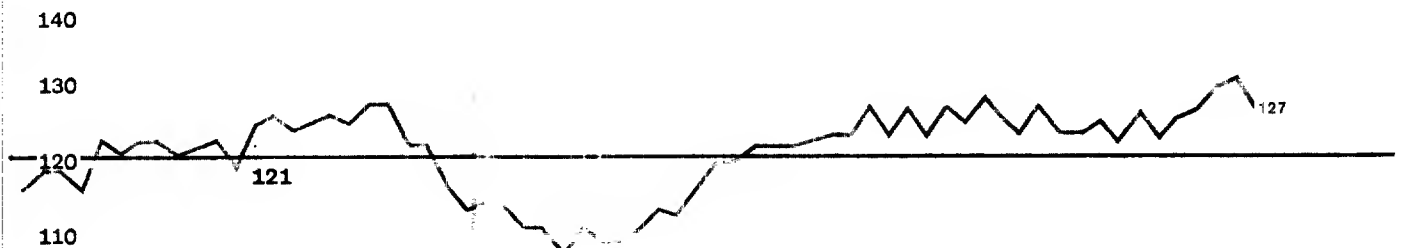
Japan



West Germany

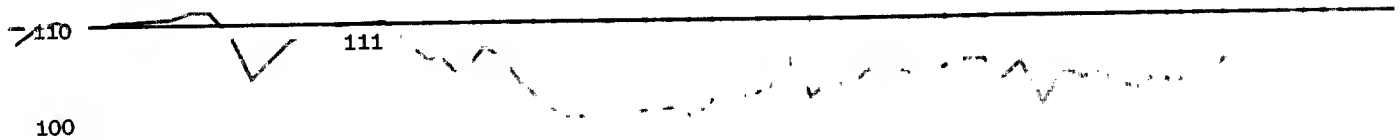


France

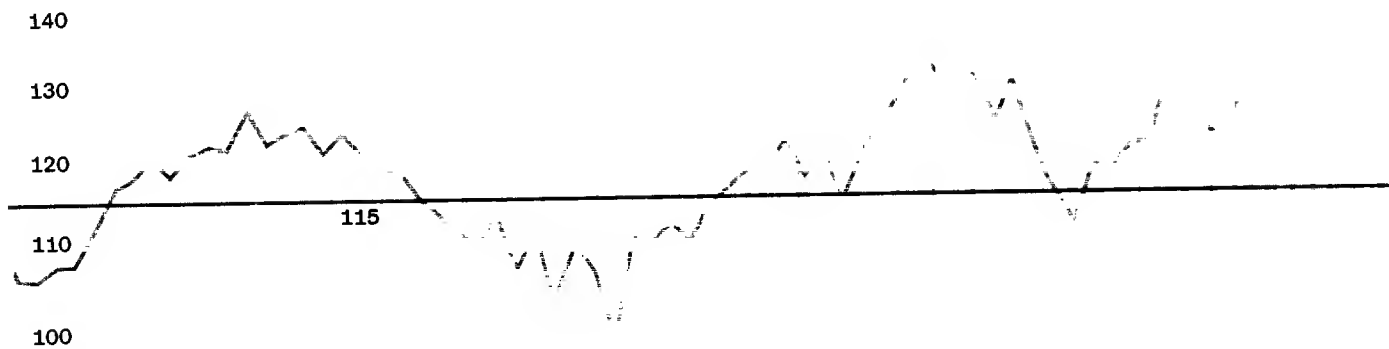


United Kingdom

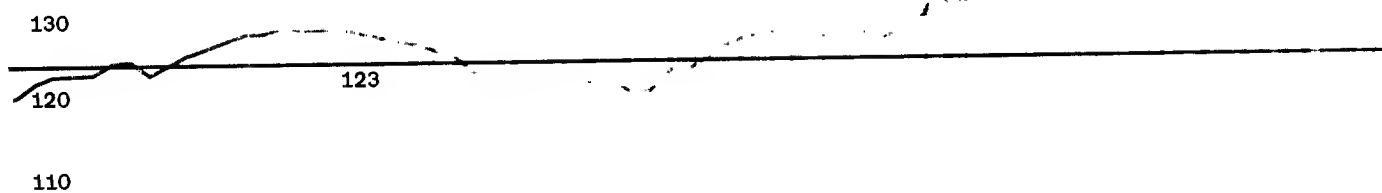
Semilogarithmic Scale



Italy



Canada



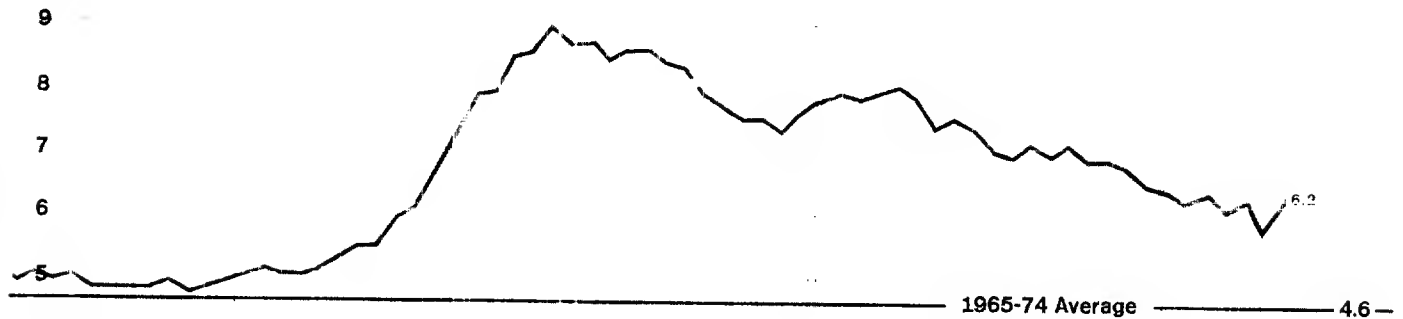
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1973 1974 1975 1976 1977 1978

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE				LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier ¹				1970	1 Year Earlier	3 Months Earlier ¹
United States	WIN 78	0.0	1.7	4.7	1.2	United Kingdom	JUN 78	2.0	1.1	1.1	1.1
Japan	WIN 78	-0.6	1.9	4.7	0.5	Italy	JUN 78	-1.1	3.1	1.1	1.1
West Germany	JUN 78	0.9	1.9	0	-0.4	Canada	APR 78	0.2	1.1	1.1	1.1
France	MAY 78	3.1	1.1	3.3	1.4						

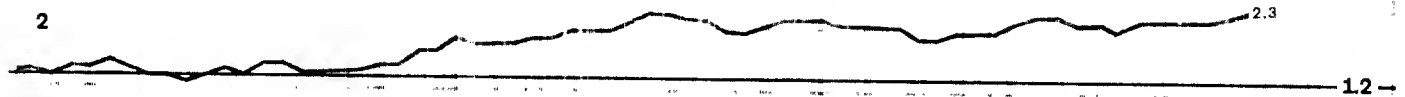
UNEMPLOYMENT RATE

PERCENT

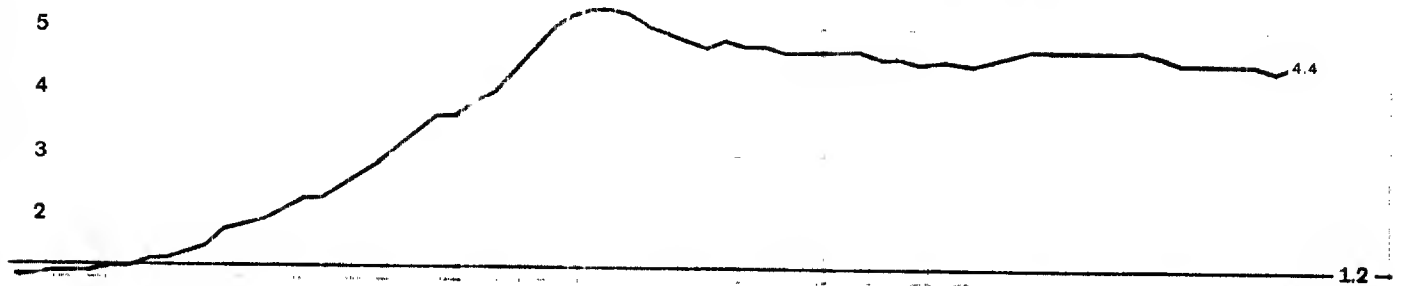
United States



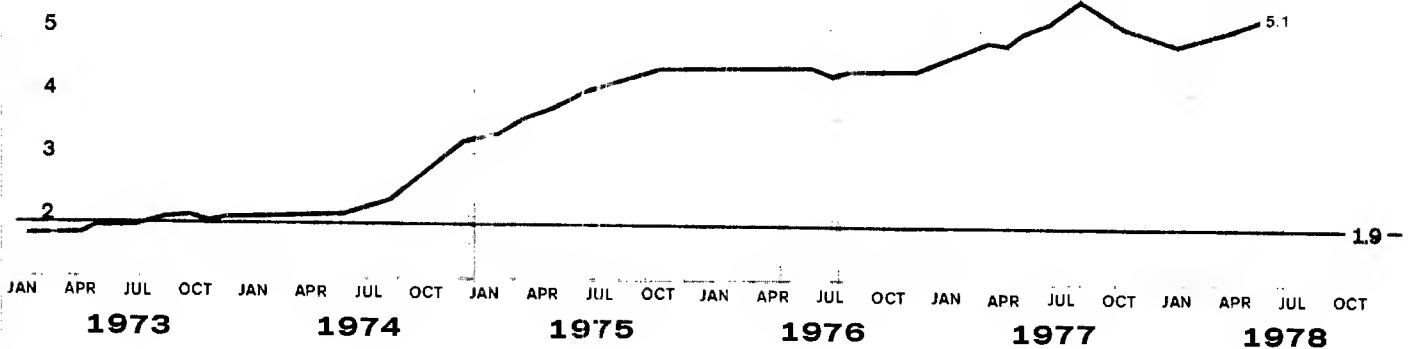
Japan



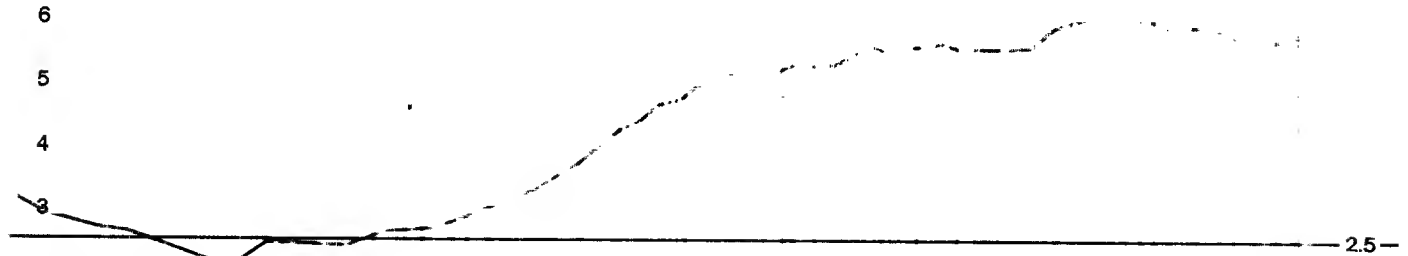
West Germany



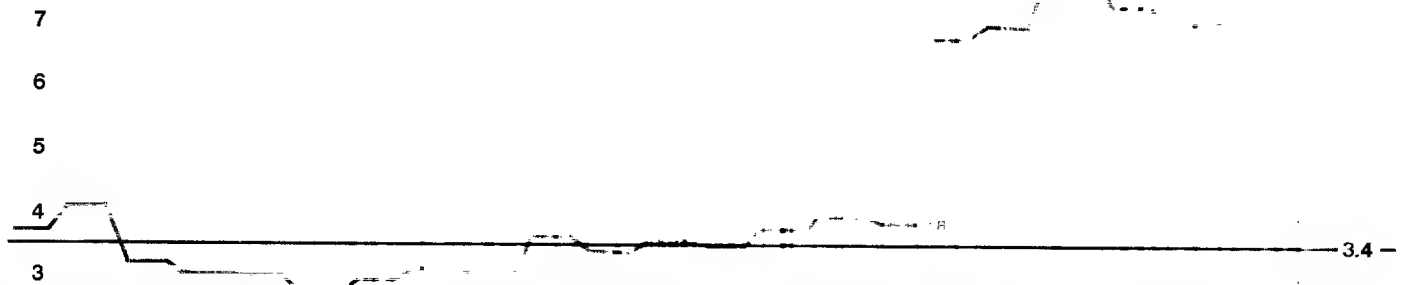
France



United Kingdom

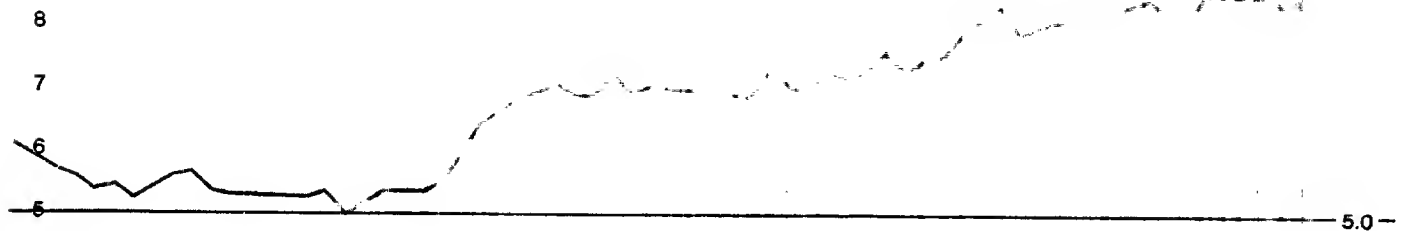


Italy (quarterly)



A labor force survey based on new definitions of economic activity sharply raised the official estimate of Italian unemployment in first quarter 1977. Data for earlier periods thus are not comparable. Italian data are not seasonally adjusted.

Canada



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1973 1974 1975 1976 1977 1978

THOUSANDS OF PERSONS UNEMPLOYED

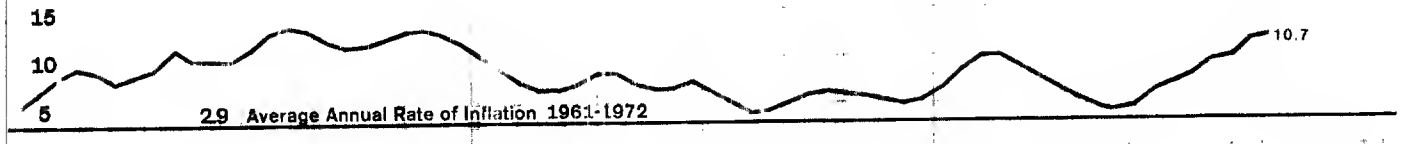
		LATEST MONTH	1 Year Earlier	3 Months Earlier			LATEST MONTH	1 Year Earlier	3 Months Earlier
United States	JUL 79	5,193	5,719	5,983	United Kingdom	JUL 78	1,371	1,371	1,371
Japan	MAY 78	1,110	1,110	1,100	Italy	JUL 77	1,451	1,451	1,451
West Germany	JUL 78	1,054	1,054	980	Canada	JUL 78	927	927	927
France	MAY 78	1,113	1,113	1,042					

NOTE: Data are seasonally adjusted. Unemployment rates for France are estimated. The rates shown for Japan and Canada are roughly comparable to US rates. For 1975-78, the rates for France and the United Kingdom should be increased by 5 percent and 15 percent respectively, and those for West Germany decreased by 20 percent to be roughly comparable with US rates. Beginning in 1977, Italian rates should be decreased by 50 percent to be roughly comparable to US rates.

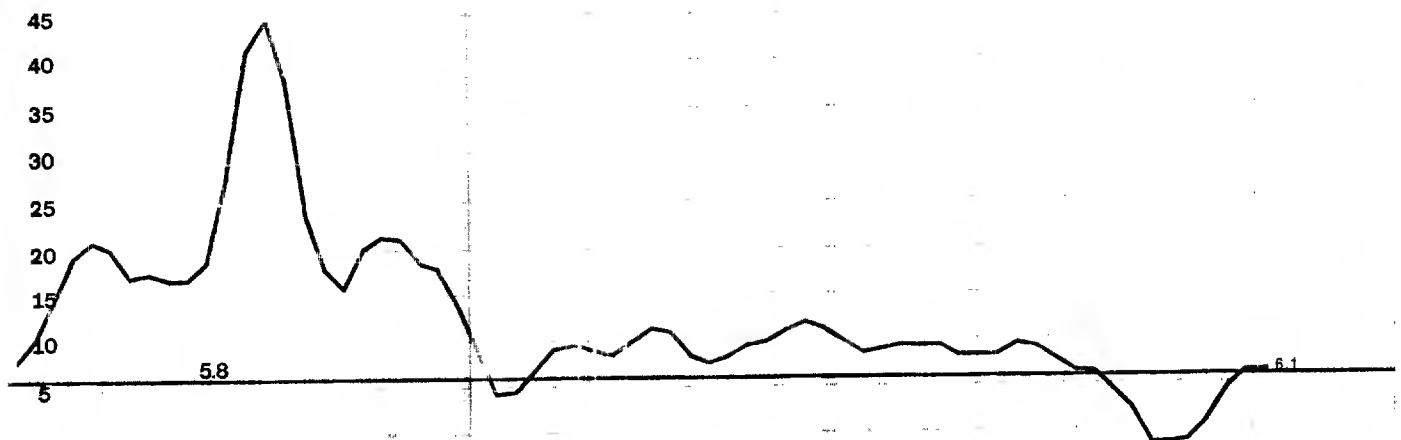
CONSUMER PRICE INFLATION

Percent, seasonally adjusted,
annual rate¹

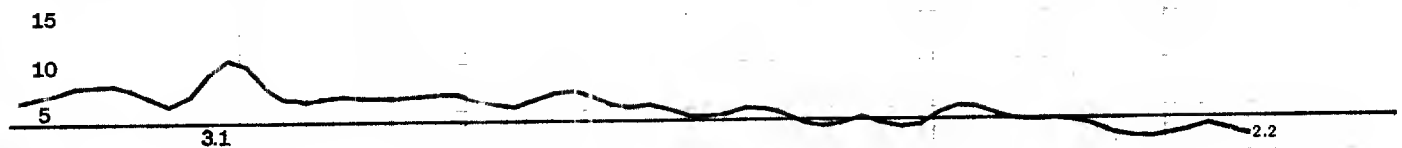
United States



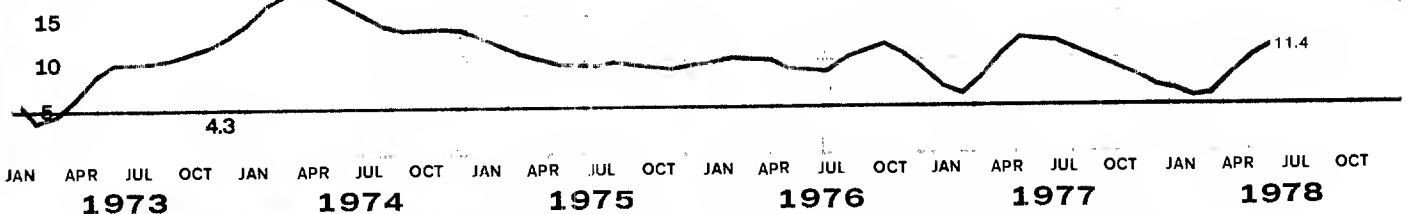
Japan



West Germany

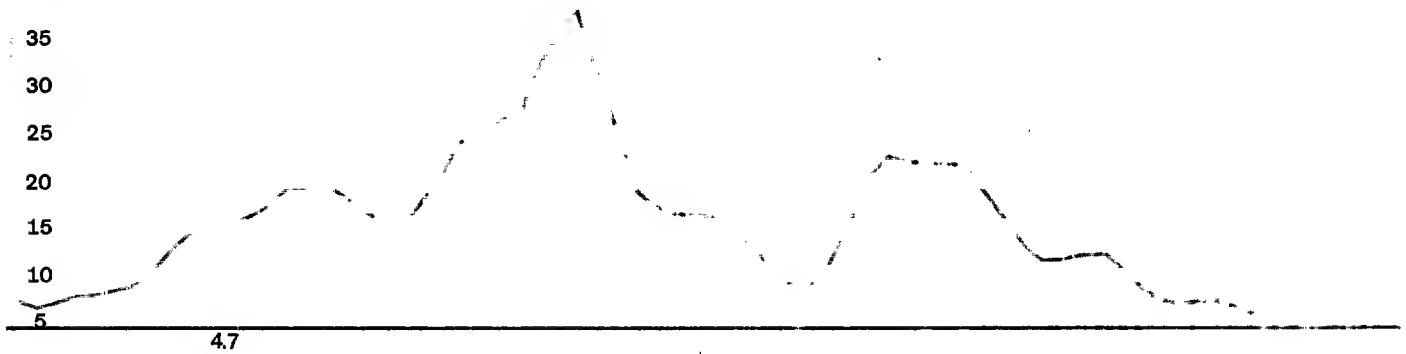


France

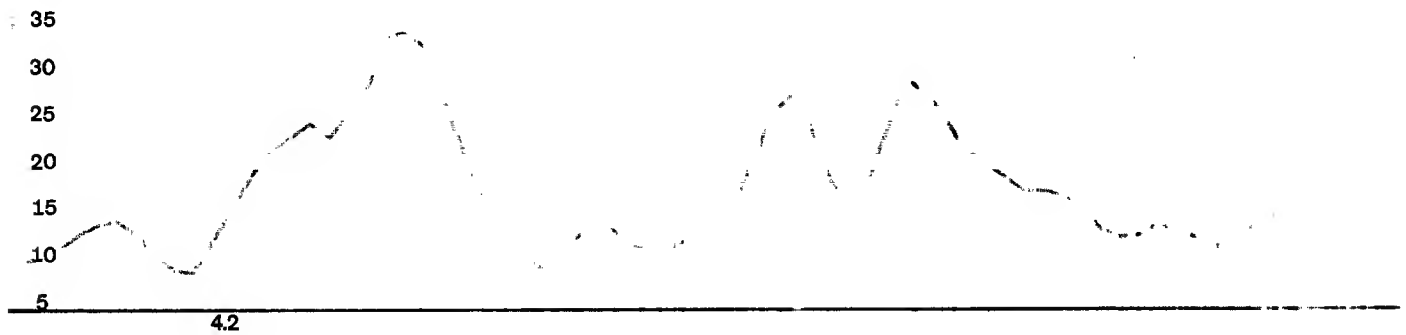


¹Three-month average compared with previous three months

United Kingdom



Italy



Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977 1978

	LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE			LATEST MONTH	Percent Change from Previous Month	AVERAGE ANNUAL GROWTH RATE SINCE		
			1970	1 Year Earlier	3 Months Earlier ²			1970	1 Year Earlier	3 Months Earlier ²
United States						United Kingdom				
Japan						Italy				
West Germany						Canada				
France										

²Average for latest 3 months compared with average for previous 3 months, seasonally adjusted at annual rate.

GNP ¹**Constant Market Prices**

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	78 II	1.8	3.2	4.0	7.4
Japan	78 I	2.4	5.5	5.7	10.0
West Germany	78 I	0.1	2.4	1.1	0.4
France	78 I	1.8	4.1	1.4	7.4
United Kingdom	77 IV	-0.5	1.6	-1.1	-1.9
Italy	78 I	2.0	1.9	-6.2	8.2
Canada	78 I	0.7	4.7	2.8	2.7

¹ Seasonally adjusted.**RETAIL SALES ¹****Constant Prices**

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier ²
United States	May 78	-0.9	3.1	1.9	5.5
Japan	Jan 78	2.9	9.2	1.0	-2.8
West Germany	Apr 78	-0.8	2.5	7.0	-7.3
France	Jan 78	9.9	0	1.0	10.5
United Kingdom	Jun 78	0.6	1.2	6.5	7.0
Italy	Mar 78	3.6	3.2	5.5	21.1
Canada	May 78	1.0	4.1	3.5	2.2

¹ Seasonally adjusted.² Average for latest 3 months compared with average for previous 3 months.**FIXED INVESTMENT ¹****Nonresidential; constant prices**

	Latest Quarter	Percent Change from Previous Quarter	Average Annual Growth Rate Since		
			1970	1 Year Earlier	Previous Quarter
United States	78 II	3.6	3.0	7.4	15.1
Japan	78 I	0.9	1.1	-0.4	3.6
West Germany	78 I	-0.5	0.7	1.6	-2.1
France	77 IV	0.8	4.0	4.7	3.3
United Kingdom	78 I	1.3	1.6	9.7	5.2
Italy	78 I	5.3	1.7	-11.4	22.7
Canada	78 I	-3.7	4.8	-12.7	-14.1

¹ Seasonally adjusted.**WAGES IN MANUFACTURING ¹**

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier ²
United States	Jun 78	0.5	7.6	7.6	7.2
Japan	Mar 78	-0.2	16.2	7.7	8.3
West Germany	78 I	0.9	8.9	4.3	3.9
France	77 IV	3.1	14.1	12.0	12.9
United Kingdom	May 78	0.5	16.4	20.6	54.9
Italy	May 78	3.5	20.4	15.5	13.6
Canada	May 78	0.9	10.9	7.1	6.2

¹ Hourly earnings (seasonally adjusted) for the United States, Japan, and Canada; hourly wage rates for others. West German and French data refer to the beginning of the quarter.² Average for latest 3 months compared with that for previous 3 months.**MONEY MARKET RATES**

	Representative rates	Latest Date	Percent Rate of Interest			
			1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Commercial paper	Aug 9	7.78	5.60	7.06	7.84
Japan	Call money	Aug 11	4.25	5.75	4.00	4.50
West Germany	Interbank loans (3 months)	Aug 9	3.68	4.03	3.60	3.67
France	Call money	Aug 11	7.62	8.50	8.00	7.50
United Kingdom	Sterling interbank loans (3 months)	Aug 9	9.58	7.20	9.21	10.00
Canada	Finance paper	Aug 9	8.68	7.38	7.97	8.17
Euradollars	Three-month deposits	Aug 9	8.28	6.18	7.84	8.46

EXPORT PRICES

US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	May 78	0.4	9.4	5.0	8.3
Japan	May 78	4.6	11.4	27.3	67.2
West Germany	May 78	-1.8	11.4	10.6	-6.7
France	Apr 78	3.4	12.1	17.9	36.2
United Kingdom	Jun 78	1.2	11.4	16.7	-3.8
Italy	Apr 78	-0.6	10.9	9.6	6.7
Canada	Apr 78	-0.2	8.3	-1.2	-13.6

IMPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	May 78	-0.3	12.8	5.4	6.8
Japan	May 78	0.4	6.9	-17.4	-21.8
West Germany	May 78	1.5	3.3	-4.4	0.9
France	Apr 78	-2.2	9.3	0.2	-1.6
United Kingdom	Jun 78	1.1	17.6	3.0	16.3
Italy	Apr 78	-0.7	18.9	4.7	-8.3
Canada	Apr 78	1.5	8.9	10.6	-2.1

CURRENT ACCOUNT BALANCE ¹

	Latest Period	Cumulative (Million US \$)			
		Million US \$	1978	1977	Change
United States ²	78 I	-6,954	-6,954	-4,158	-2,796
Japan	Jun 78	2,345	8,829	3,076	5,753
West Germany	May 78	323	2,665	1,946	720
France	78 I	0	0	-2	2
United Kingdom	77 IV	682	N.A.	N.A.	N.A.
Italy	77 III	2,390	N.A.	N.A.	N.A.
Canada	78 I	-1,273	-1,273	-1,484	212

¹ Converted to US dollars at the current market rates of exchange.

² Seasonally adjusted.

EXCHANGE RATES

Spot Rate

As of 11 Aug 78

	US \$ Per Unit	Percent Change from			
		19 Mar 73	1 Year Earlier	3 Months Earlier	4 Aug 78
Japan (yen)	0.0054	40.68	42.29	21.65	0.94
West Germany (Deutsche mark)	0.5084	43.58	16.66	7.51	3.17
France (franc)	0.2326	5.54	13.16	8.29	2.02
United Kingdom (pound sterling)	1.9640	-20.19	12.93	8.66	2.02
Italy (lira)	0.0012	-32.20	5.73	4.44	1.01
Canada (dollar)	0.8802	-11.78	-5.68	-2.27	0.13

EXPORT PRICES

National Currency

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			1970	1 Year Earlier	3 Months Earlier
United States	May 78	0.4	9.4	5.0	8.3
Japan	May 78	6.6	5.0	3.7	31.4
West Germany	May 78	1.2	3.8	-1.2	-0.6
France	Apr 78	0.9	9.4	8.9	21.0
United Kingdom	Jun 78	0.1	15.2	9.2	13.1
Italy	Apr 78	-0.6	15.4	5.7	-1.6
Canada	Apr 78	1.2	9.5	7.3	-0.2

OFFICIAL RESERVES

	Latest Month	Billion US \$			
		End of	Jun 1970	1 Year Earlier	3 Months Earlier
		Billion US \$			
United States	Jun 78	18.9	14.5	19.2	19.2
Japan	Jul 78	29.3	4.1	17.6	27.5
West Germany	Jun 78	40.7	8.8	34.3	42.2
France	Apr 78	10.6	4.4	10.0	0.1
United Kingdom	May 78	17.3	2.8	10.0	21.4
Italy	May 78	12.2	4.7	7.9	11.4
Canada	Jun 78	4.7	9.1	5.1	4.0

BASIC BALANCE ¹

Current Account and Long-Term Capital Transactions

	Latest Period	Cumulative (Million US \$)			
		Million US \$	1978	1977	Change
United States		No longer published ²			
Japan	Jun 78	1,301	5,581	2,145	3,436
West Germany	May 78	-722	2,532	-543	3,075
France	78 I	-1	-1	-2	1
United Kingdom	77 IV	1,389	N.A.	N.A.	N.A.
Italy	77 III	2,520	N.A.	N.A.	N.A.
Canada	78 I	-668	-668	-584	-84

¹ Converted to US dollars at the current market rates of exchange.

² As recommended by the Advisory Committee on the Presentation of Balance of Payments Statistics, the Department of Commerce no longer publishes a basic balance

TRADE-WEIGHTED EXCHANGE RATES ¹

As of 11 Aug 78

	Percent Change from			
	19 Mar 73	1 Year Earlier	3 Months Earlier	4 Aug 78
United States	-4.36	-9.53	-5.85	-1.15
Japan	44.25	37.92	19.36	0.33
West Germany	31.91	4.37	0.90	1.19
France	-7.43	0.08	1.43	-0.26
United Kingdom	-28.16	2.95	2.87	0.30
Italy	-42.92	-6.52	-2.28	-1.16
Canada	-13.28	-9.20	-4.42	-0.26

¹ Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange rate variations among the major currencies.

Developed Countries: Direction of Trade ¹													Billion US \$
	Exports to (f.o.b.)						Imports from (c.i.f.)						
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other	
UNITED STATES													
1975	107.65	46.94	16.25	10.77	3.37	29.82	103.42	49.81	8.83	18.70	0.98	25.08	
1976	115.01	51.30	17.68	12.57	3.64	29.44	129.57	60.39	9.75	27.17	1.16	31.09	
1977	120.17	53.92	18.53	14.02	2.72	30.98	156.70	70.48	11.08	35.45	1.22	38.47	
1978													
1st Qtr	30.94	13.65	4.60	3.76	1.00	7.93	43.14	20.39	3.51	8.15	0.47	10.62	
JAPAN													
1975	55.73	16.56	6.07	8.42	5.16	15.87	57.85	16.93	6.08	19.40	3.36	12.05	
1976	67.32	22.61	8.59	9.27	4.93	17.84	64.89	17.58	7.78	21.88	2.91	14.72	
1977	81.11	28.02	9.73	12.03	5.32	26.01	71.33	18.87	7.93	24.33	3.41	16.79	
1978													
1st Qtr	22.11	7.83	2.39	3.35	1.32	7.22	18.32	5.04	2.06	6.46	0.87	3.89	
WEST GERMANY													
1975	91.70	28.33	36.44	6.78	8.81	11.05	76.28	27.09	27.78	8.24	4.87	8.21	
1976	103.63	33.44	41.86	8.25	8.72	11.04	89.68	31.28	32.64	9.73	5.93	10.01	
1977	119.28	39.01	48.00	10.78	8.59	12.90	102.63	36.38	37.37	10.12	6.14	12.62	
1978													
Jan & Feb	20.35	7.03	8.12	1.75	1.29	2.16	18.20	6.58	6.92	1.49	0.89	2.32	
FRANCE													
1975	52.87	20.00	15.50	4.90	3.13	8.61	53.99	23.04	14.33	9.43	1.94	5.21	
1976	57.05	22.49	16.15	5.08	3.23	8.75	64.38	27.81	16.93	11.36	2.24	6.01	
1977	65.00	25.90	18.19	5.97	3.00	11.94	70.50	30.28	18.24	11.82	2.46	7.70	
1978													
1st Qtr	18.49	7.65	5.07	1.57	0.66	3.53	19.76	8.58	5.40	3.05	0.64	2.09	
UNITED KINGDOM													
1975	44.03	12.55	16.59	4.55	1.56	8.64	53.35	18.47	18.52	6.91	1.68	7.67	
1976	46.12	14.03	17.53	5.13	1.39	7.92	55.56	19.66	18.81	7.29	2.08	7.65	
1977	57.44	16.99	22.56	6.78	1.63	9.48	63.29	24.02	21.34	6.31	2.40	9.22	
1978													
1st Qtr	16.86	5.09	6.27	2.03	0.55	2.92	18.87	7.44	6.68	1.80	0.55	2.40	
ITALY													
1975	34.82	15.61	7.86	3.72	2.46	4.67	38.36	17.32	6.75	7.85	2.09	4.34	
1976	36.96	17.41	8.69	4.23	2.18	3.96	43.42	19.35	8.04	8.12	2.65	5.24	
1977	45.04	20.92	10.20	5.85	2.45	5.62	47.56	20.80	8.67	9.03	2.80	6.26	
4th Qtr	12.84	6.02	2.78	1.67	0.69	1.68	13.15	5.90	2.49	2.25	0.83	1.68	
CANADA													
1975	33.84	26.30	1.73	0.71	1.20	2.00	38.59	29.78	1.70	3.43	0.32	2.02	
1976	40.18	32.01	2.03	0.81	1.25	2.09	43.05	33.55	1.82	3.48	0.38	2.56	
1977	42.98	34.77	2.13	0.94	1.06	4.08	44.67	35.67	1.77	3.05	0.33	3.85	
4th Qtr	11.04	9.05	0.52	0.24	0.26	0.97	11.09	8.94	0.44	0.67	0.07	0.97	

25X1X

Developed Countries: Direction of Trade¹
(Continued)

Billion US \$

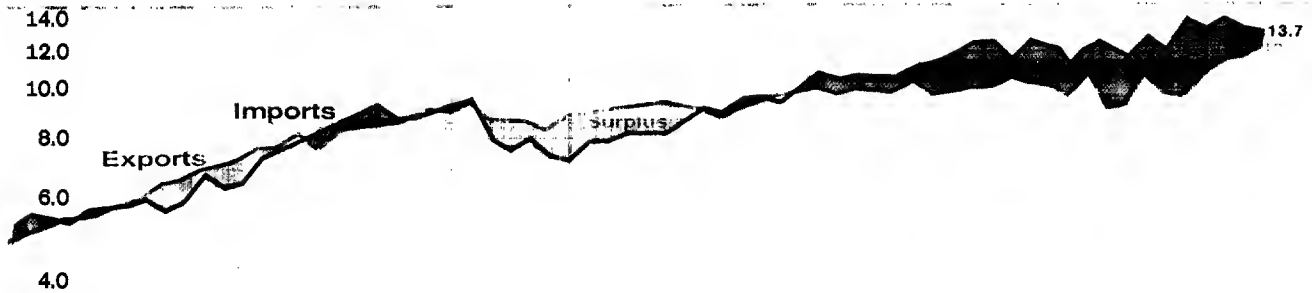
	Exports to (f.o.b.)						Imports from (c.i.f.)					
	World	Big Seven	Other OECD	OPEC	Com-munist	Other	World	Big Seven	Other OECD	OPEC	Com-munist	Other
CANADA												
1975	33.84	26.30	1.73	0.71	1.20	2.00	38.59	29.78	1.70	3.43	0.32	2.02
1976	40.18	32.01	2.03	0.81	1.25	2.09	43.05	33.55	1.82	3.48	0.38	2.56
1977	42.98	34.77	2.13	0.94	1.06	4.08	44.67	35.67	1.77	3.05	0.33	3.85
1st Qtr	10.35	8.37	0.53	0.23	0.22	1.00	10.92	8.64	0.43	0.82	0.09	0.94
2d Qtr	11.34	9.23	0.54	0.24	0.29	1.04	12.28	9.92	0.47	0.74	0.10	1.05
3d Qtr	10.25	8.12	0.54	0.23	0.29	1.07	10.38	8.17	0.43	0.82	0.07	0.89
4th Qtr	11.04	9.05	0.52	0.24	0.26	0.97	11.09	8.94	0.44	0.67	0.07	0.97

25X1X

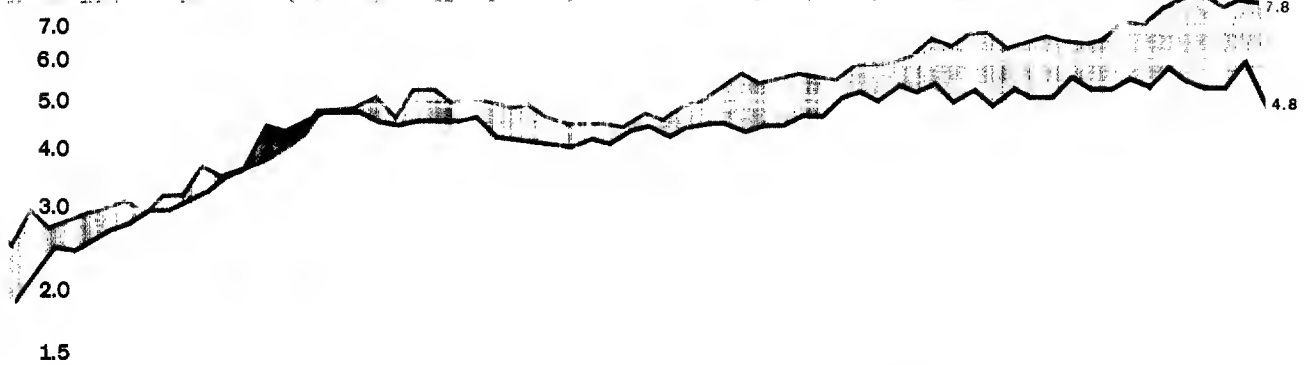
FOREIGN TRADE BILLION US \$, f.o.b., seasonally adjusted

United States

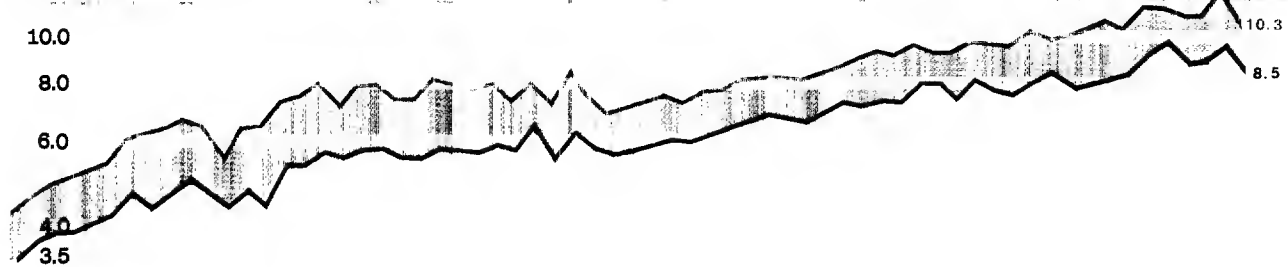
Semilogarithmic Scale



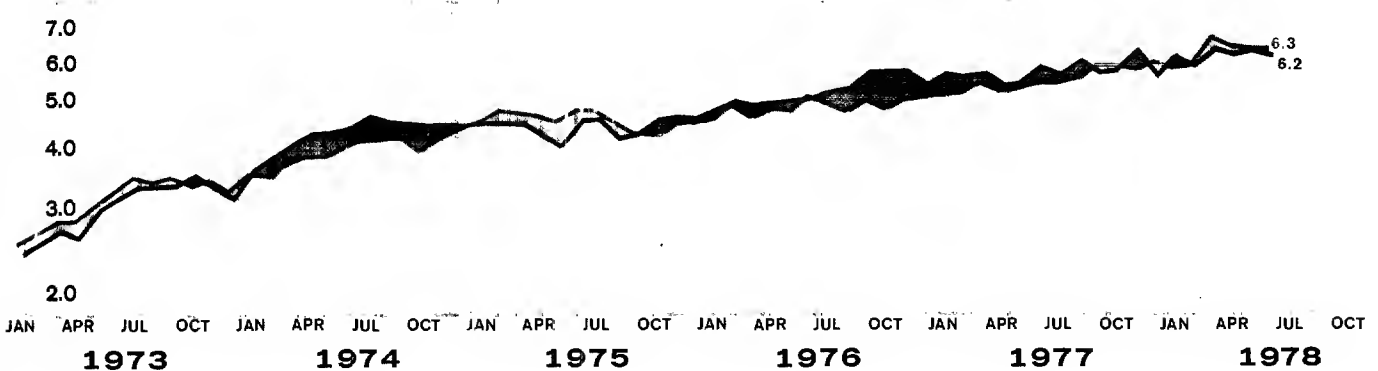
Japan



West Germany

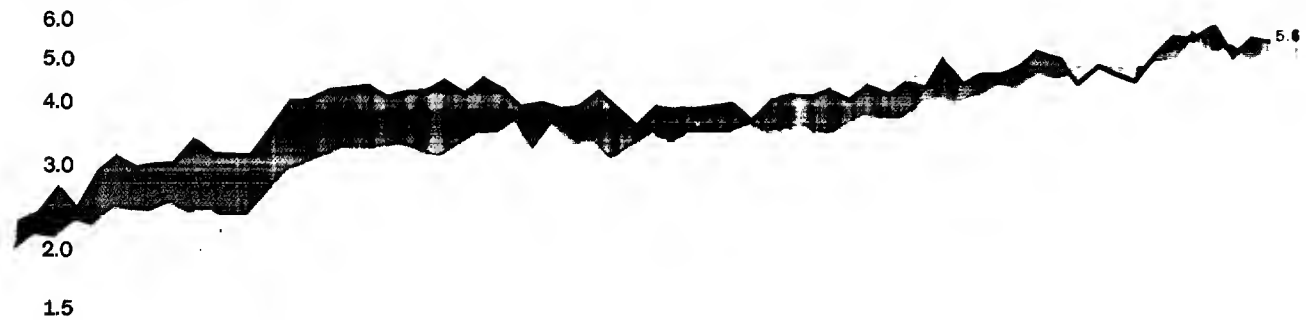


France

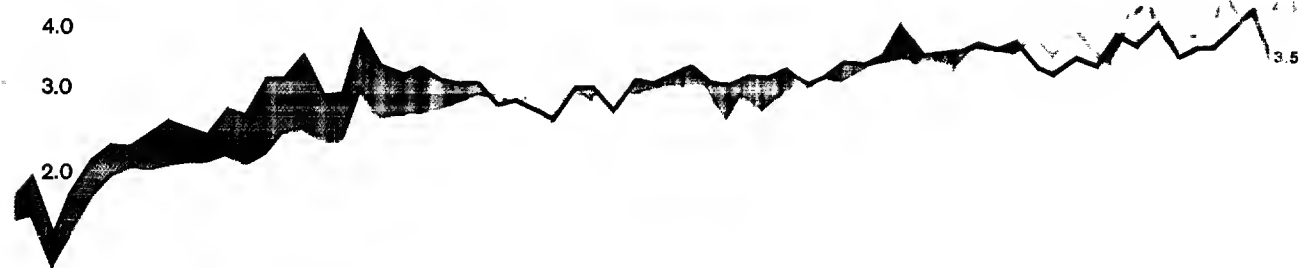


United Kingdom

Semilogarithmic Scale



Italy



Canada



JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL OCT
1973 1974 1975 1976 1977 1978

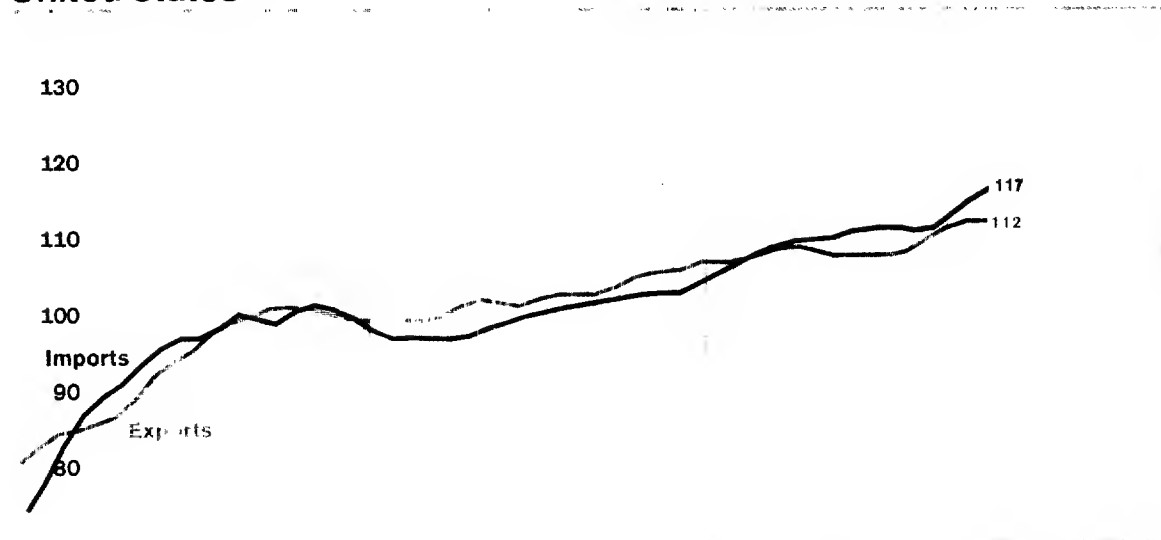
	LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)				LATEST MONTH	MILLION US \$	CUMULATIVE (MILLION US \$)		
			1978	1977	CHANGE				1978	1977	CHANGE
United States	JUN 78	13,723	82,731	71,782	15.3%	United Kingdom	JUN 78	5,570	33,777	29,467	14.6%
	Balance	-1,597	-16,368	-11,524	4,844		Balance	-195	-1,349	-2,884	1,536
Japan	JUN 78	4,846	32,346	30,319	6.7%	Italy	JUN 78	3,517	22,832	22,136	3.1%
	Balance	2,953	14,790	8,540	6,250		Balance	951	1,973	-591	2,564
West Germany	MAY 78	8,522	45,808	38,606	18.7%	Canada	MAY 78	3,401	17,447	16,713	4.4%
	Balance	1,781	9,224	8,128	1,096		Balance	219	1,536	722	814
France	JUN 78	6,217	37,182	32,828	13.3%						
	Balance	100	147	-1,670	1,817						

5/6928 8-78

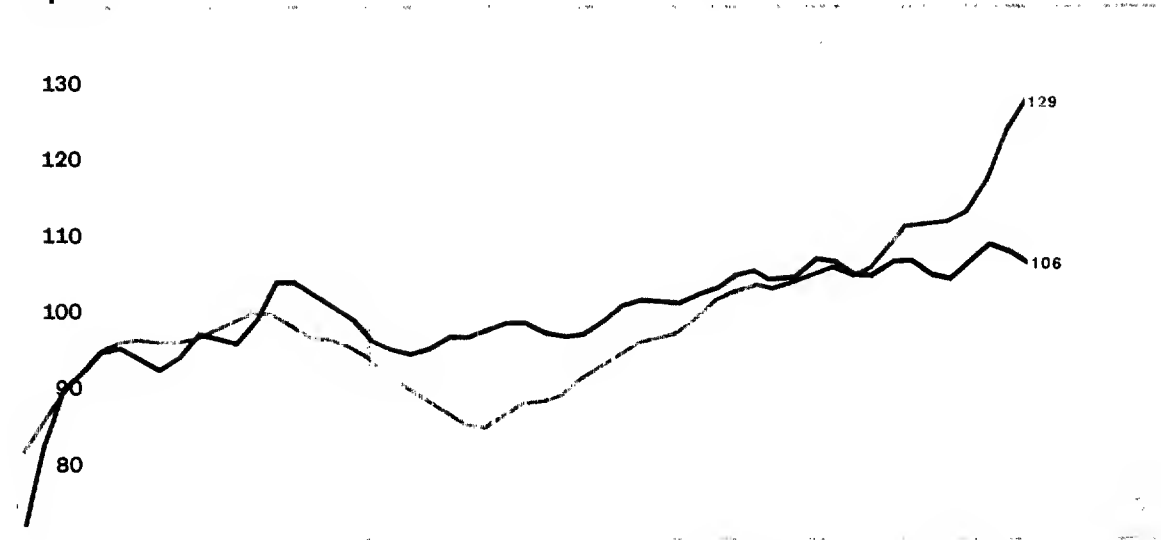
FOREIGN TRADE PRICES IN US \$¹

United States

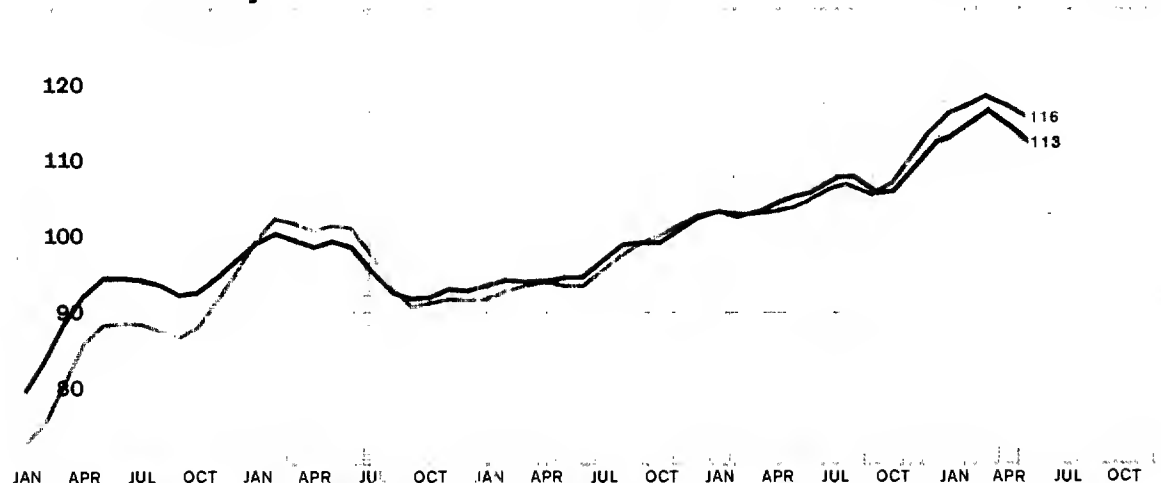
INDEX: JAN 1975 = 100



Japan



West Germany

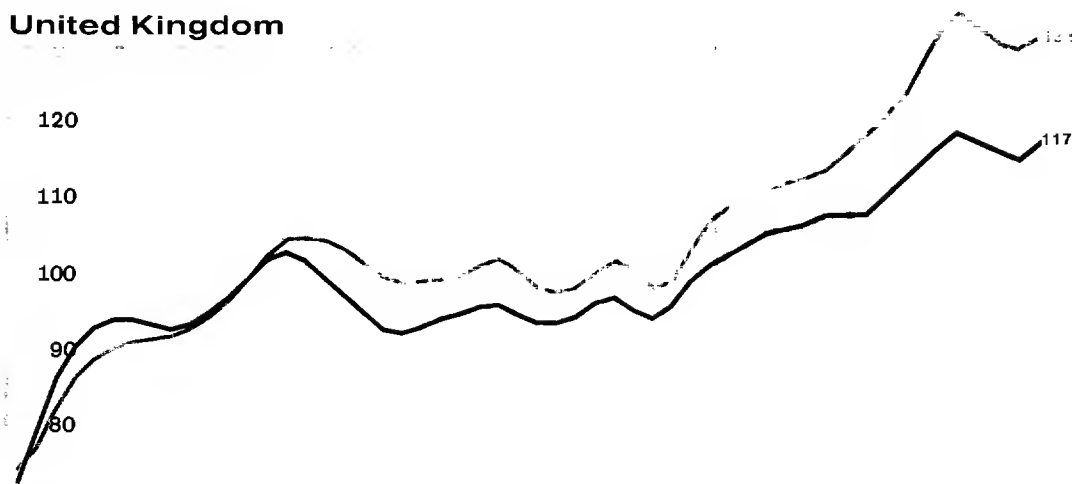


¹Export and import plots are based on five-month weighted moving averages.

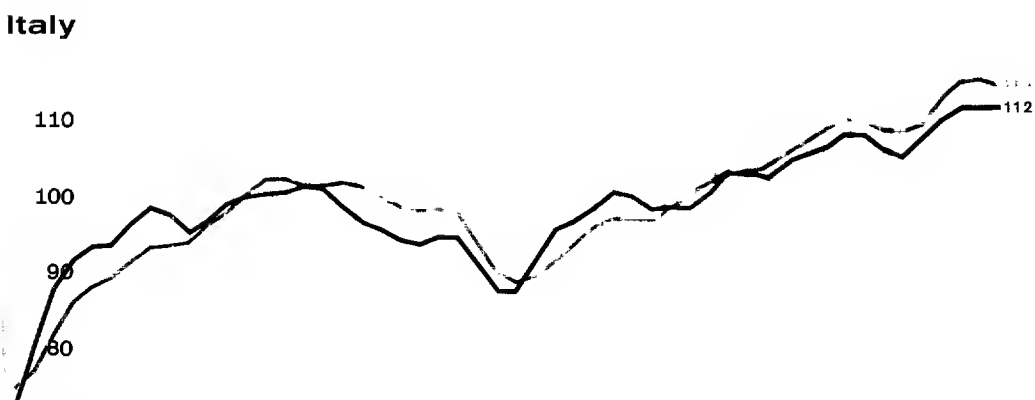
France



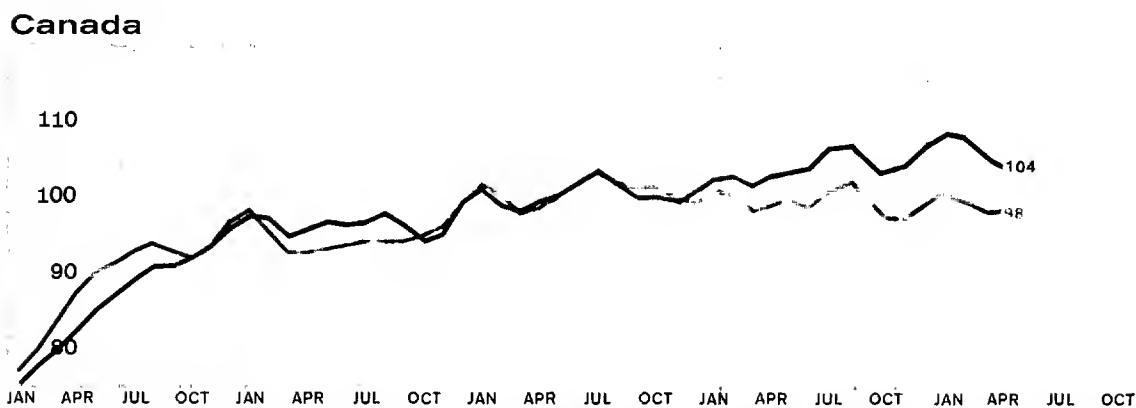
United Kingdom



Italy



Canada



INDUSTRIAL PRODUCTION ¹

	Latest Period	Percent Change from Previous Period	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
India	Mar 78	1.1	4.9	0.8	17.8
South Korea	May 78	3.8	22.9	27.5	29.6
Mexico	Mar 78	- 5.1	5.1	3.4	-2.0
Nigeria	78 I	6.8	11.0	0.2	29.9
Taiwan	Apr 78	1.5	15.3	17.4	- 2.0

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

MONEY SUPPLY ¹

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier ²
Brazil	Mar 78	2.7	36.4	43.3	34.7
India	Feb 78	-0.6	13.7	16.0	20.4
Iran	Mar 78	9.9	29.3	22.5	51.7
South Korea	May 78	1.3	31.2	30.7	23.7
Mexico	Apr 78	1.2	20.4	30.8	28.9
Nigeria	Oct 77	0.6	36.3	46.9	32.6
Taiwan	Mar 78	5.3	25.2	31.0	24.3
Thailand	Nov 77	3.3	13.1	12.3	4.7

¹ Seasonally adjusted.

² Average for latest 3 months compared with average for previous 3 months.

CONSUMER PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Jun 78	4.1	28.3	38.0
India	Mar 78	0.3	7.5	2.9
Iran	May 78	-0.4	12.4	12.0
South Korea	Jun 78	2.8	14.6	14.7
Mexico	May 78	1.0	15.0	17.2
Nigeria	Dec 77	3.2	16.6	31.0
Taiwan	Apr 78	1.8	10.1	7.6
Thailand	Apr 78	1.0	8.6	8.8

WHOLESALE PRICES

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	May 78	3.4	28.4	34.5
India	May 78	0.6	8.0	-2.8
Iran	May 78	0.4	11.0	10.9
South Korea	Jun 78	1.3	15.9	11.7
Mexico	May 78	2.5	16.5	16.3
Taiwan	Mar 78	1.1	8.2	1.2
Thailand	Jan 78	-0.2	9.5	6.4

EXPORT PRICES US \$

	Latest Month	Percent Change from Previous Month	Average Annual Growth Rate Since	
			Percent Change	
			1970	1 Year Earlier
Brazil	Feb 78	0.4	14.0	1.5
India	Mar 77	-0.9	9.6	17.9
Iran	Jun 78	0	30.8	0
South Korea	78 I	0.7	8.7	7.7
Nigeria	May 76	-0.1	27.3	12.3
Taiwan	Mar 78	-0.7	11.2	3.8
Thailand	Dec 76	2.0	13.3	13.1

OFFICIAL RESERVES

	Latest Month	End of	Million US \$		
			Percent Change		
			1970	1 Year Earlier	3 Months Earlier
Brazil	Feb 78	6,733	1,013	5,878	5,994
India	Apr 78	6,064	1,006	4,134	5,411
Iran	Jun 78	12,068	208	11,025	12,483
South Korea	May 78	4,101	602	3,519	4,376
Mexico	Mar 78	1,766	695	1,422	1,723
Nigeria	Jun 78	2,387	148	4,663	3,906
Taiwan	Mar 78	1,433	531	1,349	1,447
Thailand	May 78	2,129	978	2,005	2,087

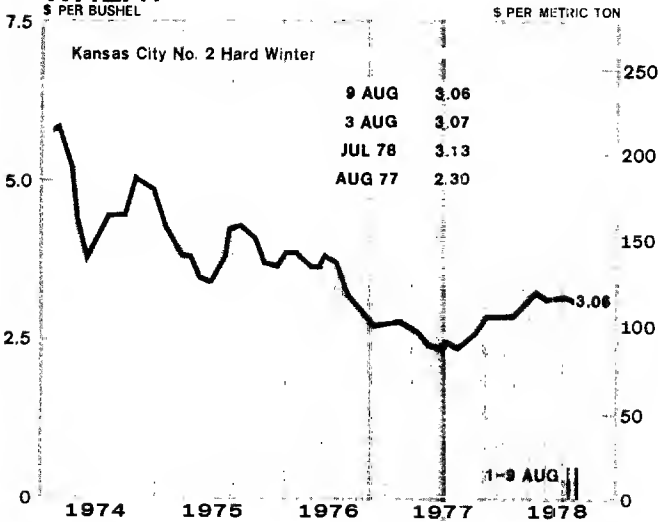
FOREIGN TRADE, f.o.b.

			Latest 3 Months Percent Change from		Cumulative (Million US \$)		
			3 Months Earlier ¹	1 Year Earlier	1978	1977	Change
Latest Period							
Brazil	May 78	Exports	84.8	-3.7	4,743	4,979	-4.7%
	May 78	Imports	26.6	1.4	5,110	4,939	3.5%
	May 78	Balance			-367	40	-407
India	Feb 78	Exports	4.0	12.3	912	917	-0.4%
	Feb 78	Imports	-39.6	-0.2	845	916	-7.7%
	Feb 78	Balance			67	1	66
Iran	Apr 78	Exports	-34.0	-8.2	7,615	8,012	-4.9%
	Mar 78	Imports	105.8	14.2	3,694	3,235	14.2%
	Mar 78	Balance			1,991	2,795	-804
South Korea	May 78	Exports	14.2	29.3	4,651	3,630	28.1%
	May 78	Imports	64.3	25.1	4,994	3,905	27.9%
	May 78	Balance			-343	-275	-68
Mexico	Apr 78	Exports	-21.1	-3.1	1,576	1,458	8.1%
	Apr 78	Imports	-47.9	16.2	1,809	1,492	21.2%
	Apr 78	Balance			-233	-34	-199
Nigeria	Apr 78	Exports	-55.4	-29.9	1,143	1,597	-28.4%
	Dec 76	Imports	86.7	8.4	N.A.	N.A.	N.A.
	Dec 76	Balance			N.A.	N.A.	N.A.
Taiwan	Apr 78	Exports	-27.6	32.3	3,365	2,543	32.3%
	Apr 78	Imports	-14.5	20.4	2,869	2,338	22.7%
	Apr 78	Balance			496	205	291
Thailand	Feb 78	Exports	76.0	8.2	635	574	10.6%
	Mar 78	Imports	-8.8	13.7	1,069	940	13.7%
	Feb 78	Balance			-29	-23	-5

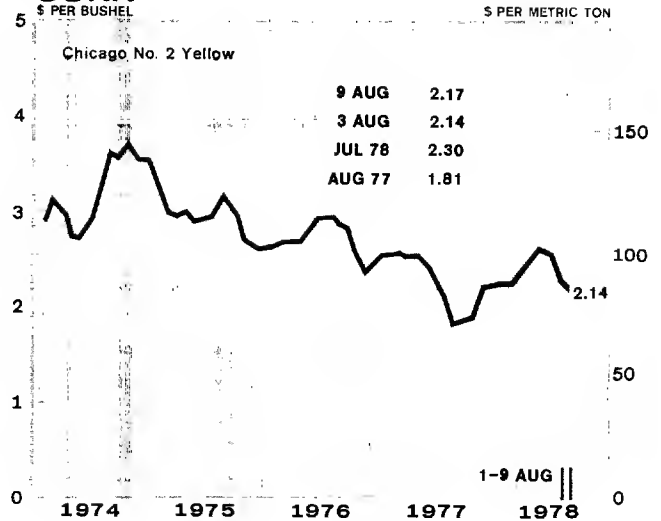
¹ At annual rates.

AGRICULTURAL PRICES MONTHLY AVERAGE CASH PRICE

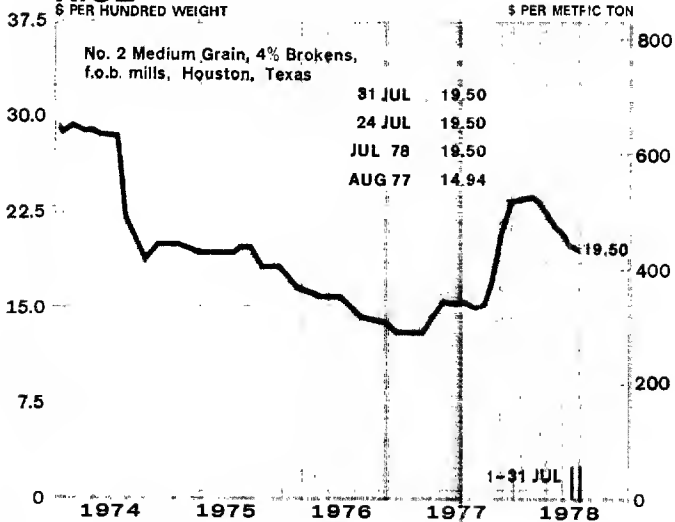
WHEAT



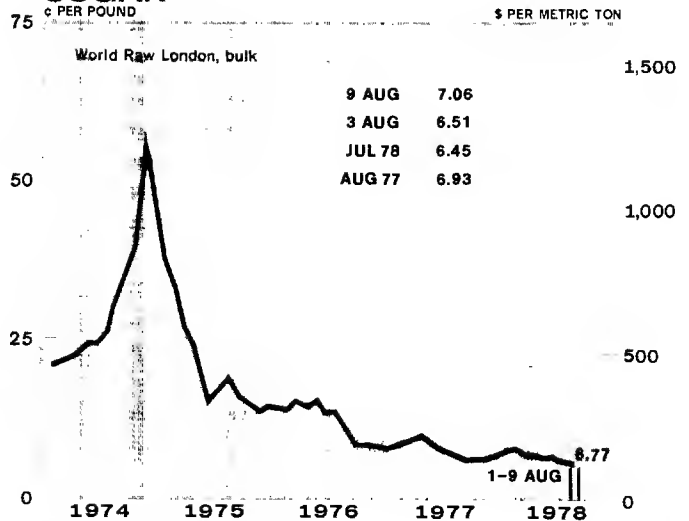
CORN



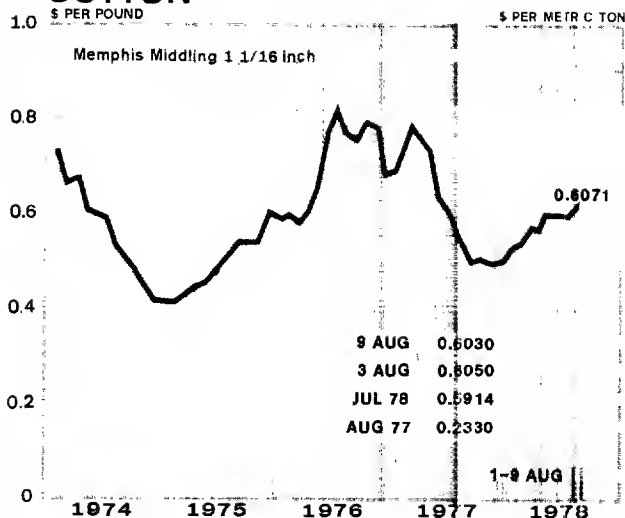
RICE



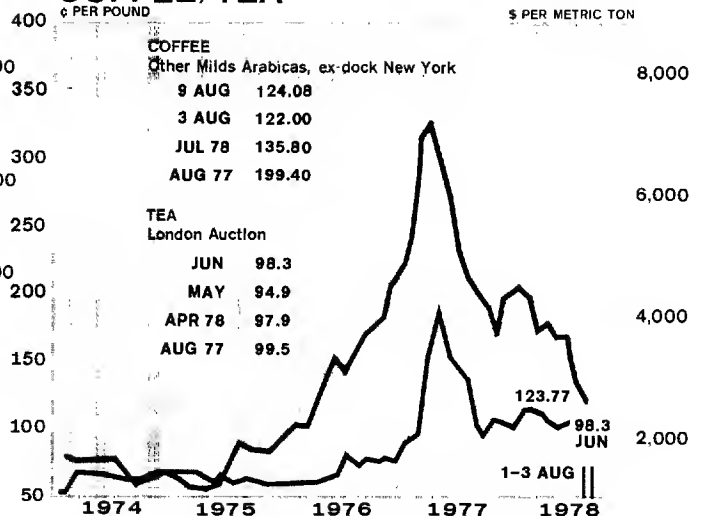
SUGAR



COTTON



COFFEE/TEA



SOYBEANS

\$ PER BUSHEL

15

Chicago No. 1 Yellow

9 AUG 6.19
3 AUG 6.22
JUL 78 6.54
AUG 77 5.66

10

5

0

1974 1975 1976 1977 1978

\$ PER METRIC TON

SOYBEAN MEAL

\$ PER TON

500

400

320

240

160

80

0

1974 1975 1976 1977 1978

\$ PER METRIC TON

400

350

300

250

200

150

100

0

1974 1975 1976 1977 1978

44 Percent Bulk, f.o.b. Decatur

9 AUG 156.50
3 AUG 162.50
JUL 78 171.18
AUG 77 140.58

1-9 AUG 1978

SOYBEAN OIL/PALM OIL

\$ PER POUND

0.5

0.4

0.3

0.2

0.1

0

1974 1975 1976 1977 1978

\$ PER METRIC TON

SOYBEAN OIL

Crude, Tank Cars, f.o.b. Decatur

9 AUG 0.2469
3 AUG 0.2467
JUL 78 0.2577
AUG 77 0.2113

0.2793
0.2465

PALM OIL

Crude, Bulk, c.i.f. US Ports

9 AUG 0.2750
3 AUG 0.2800
JUL 78 0.3120
AUG 77 0.5335

1-9 AUG 1978

FOOD INDEX

1970=100

500

1,000

400

300

200

100

0

1974 1975 1976 1977 1978

1 AUG 1978

576922 8-78 CIA

BEEF

¢ PER POUND

120

110

100

90

80

70

60

50

40

1974 1975 1976 1977 1978

AUSTRALIA
Boneless Beef,
f.o.b., New York

4 AUG 91.00
28 JUL 90.75
JUL 78 88.63
AUG 77 63.01

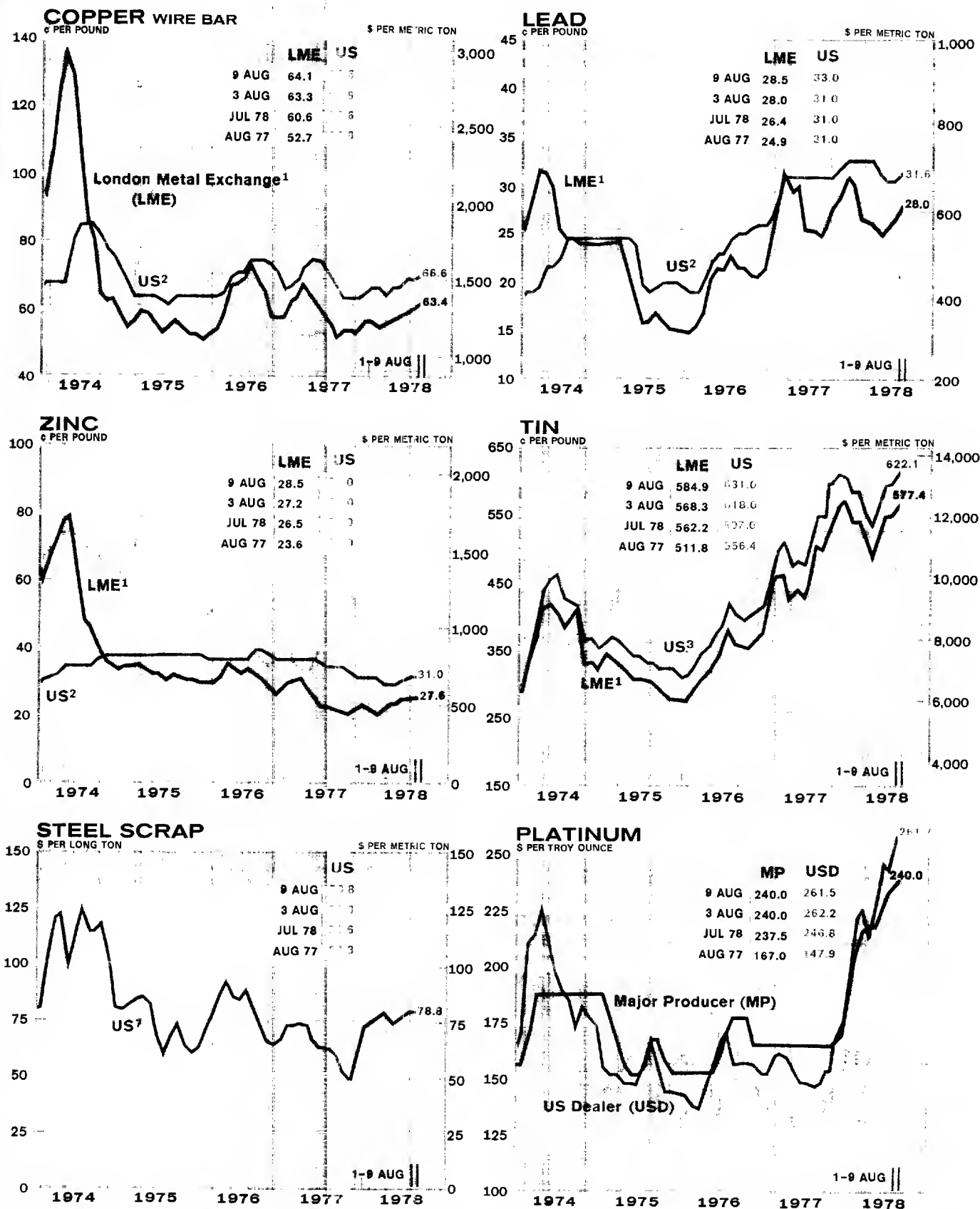
UNITED STATES
Wholesale Steer Beef,
Midwest Markets

5 AUG 81.44
29 JUL 85.69
JUL 78 86.10
AUG 77 62.49

1-4 AUG 1978

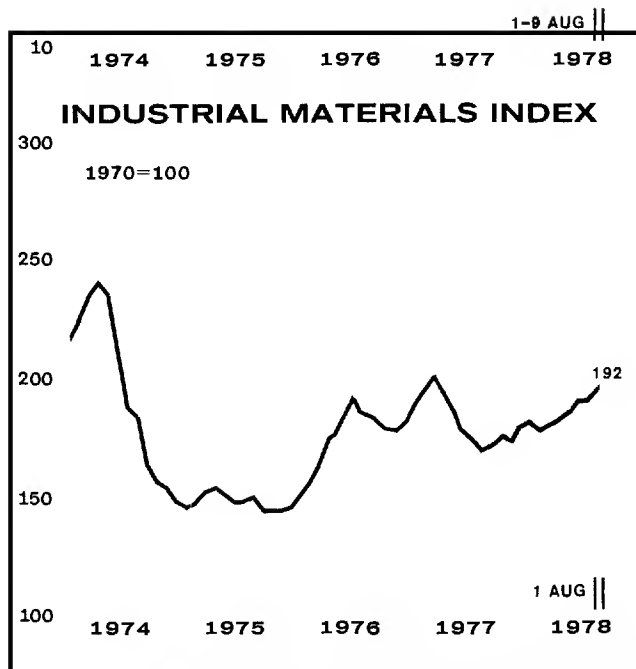
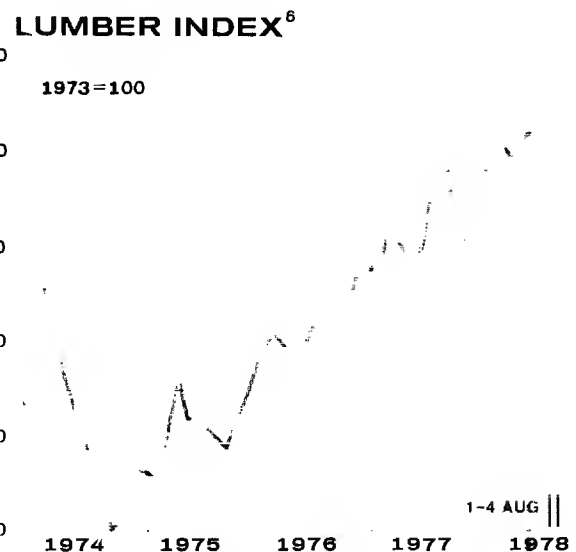
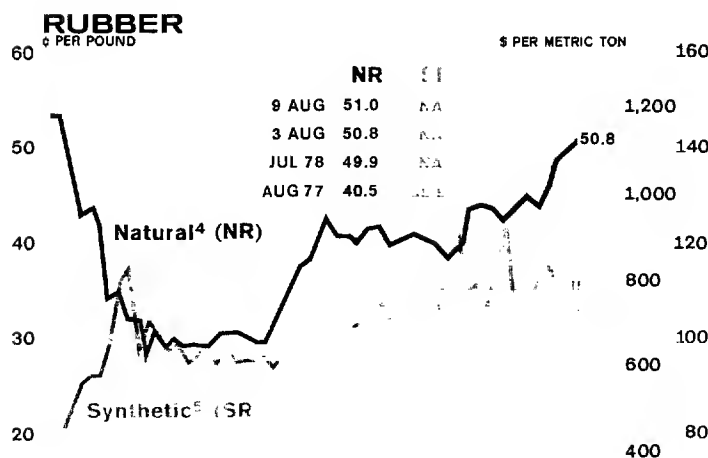
NOTE: The food index is compiled by the Economist for 16 food commodities which enter international trade. Commodities are weighted by 3-year moving averages of imports into industrialized countries.

INDUSTRIAL MATERIALS PRICES MONTHLY AVERAGE CASH PRICE



SELECTED MATERIALS

			CURRENT	FEB 78	AUG 77	AUG 76
ALUMINUM	Major US Producer	£ per pound	55.00	53.00	53.00	47.09
US STEEL	Composite	\$ per long ton	419.31	387.54	357.08	327.00
IRON ORE	Non-Bessemer Old Range	\$ per long ton	21.43	21.43	21.43	20.05
CHROME ORE	Russian, Metallurgical Grade	\$ per metric ton	NA	NA	150.00	150.00
CHROME ORE	S. Africa, Chemical Grade	\$ per long ton	56.00	56.00	58.50	42.00
FERROCHROME	US Producer, 66-70 Percent	£ per pound	42.00	41.00	42.39	44.55
NICKEL	Composite US Producer	\$ per pound	2.07	2.06	2.41	2.20
MANGANESE ORE	48 Percent Mn	\$ per long ton	67.20	72.24	72.00	72.00
TUNGSTEN ORE	Contained Metal	\$ per metric ton	16,992.00	19,048.00	21,111.00	5,325.00
MERCURY	New York	\$ per 76 pound flask	160.00	162.32	116.30	110.00
SILVER	LME Cash	£ per troy ounce	559.34	496.44	447.09	425.81
GOLD	London Afternoon Fixing Price	\$ per troy ounce	202.47	178.16	144.95	109.65



¹Approximates world market price frequently used by major world producers and traders, although only small quantities of these metals are actually traded on the LME.

²Producers' price, covers most primary metals sold in the U.S.

³As of 1 Dec 75, US tin price quoted is "Tin NY 1b composite."

⁴Quoted on New York market.

⁵S type styrene, US export price.

⁶This index is compiled by using the average of 13 types of lumber whose prices are regarded as bellwethers of US lumber construction costs.

⁷Composite price for Chicago, Philadelphia, and Pittsburgh.

NOTE: The industrial materials index is compiled by the Economist for 19 raw materials which enter international trade. Commodities are weighted by 3 year moving averages of imports into industrialized countries.

5/69/25 8-/8